CASH AND HEALTH INSURANCE BENEFITS TO DISLOCATED WORKERS

HEARING

BEFORE THE

SUBCOMMITTEE ON HUMAN RESOURCES

AND THE

SUBCOMMITTEE ON HEALTH

OF THE

COMMITTEE ON WAYS AND MEANS
HOUSE OF REPRESENTATIVES

ONE HUNDRED FIRST CONGRESS

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CASH AND HEALTH INSURANCE BENEFITS TO DISLOCATED WORKERS

WEDNESDAY, AUGUST 1, 1990

U.S. HOUSE OF REPRESENTATIVES,
COMMITTEE ON WAYS AND MEANS,
SUBCOMMITTEE ON HUMAN RESOURCES AND
SUBCOMMITTEE ON HEALTH,
Washington, D.C.

The subcommittees met, pursuant to call, at 10:30 a.m., in room 1100, Longworth House Office Building, Hon. Fortney Pete Stark (chairman, Subcommittee on Health) and Hon. Thomas J. Downey (acting chairman, Subcommittee on Human Resources) presiding.

[The press release announcing the hearing follows:]

FOR IMMEDIATE RELEASE
FRIDAY, JULY 27, 1990

PRESS RELEASE #23
SUBCOMMITTEE ON HUMAN RESOURCES
COMMITTEE ON WAYS AND MEANS
U.S. HOUSE OF REPRESENTATIVES
1102 LONGWORTH HOUSE OFFICE BLDG.
WASHINGTON, D.C. 20515
TELEPHONE: (202) 225-1025

THE HONORABLE THOMAS J. DOWNEY (D., N.Y.), ACTING CHAIRMAN, SUBCOMMITTEE ON HUMAN RESOURCES, AND THE HONORABLE PETE STARK (D., CALIF.), CHAIRMAN, SUBCOMMITTEE ON HEALTH, COMMITTEE ON WAYS AND MEANS, U.S. HOUSE OF REPRESENTATIVES, ANNOUNCE A JOINT HEARING ON THE DOWNEY-STARK AMENDMENT TO PROVIDE CASH AND HEALTH INSURANCE BENEFITS TO DISLOCATED WORKERS

The Honorable Thomas J. Downey (D., N.Y.), Acting Chairman, Subcommittee on Human Resources, and the Honorable Pete Stark (D., Calif.), Chairman, Subcommittee on Health, Committee on Ways and Means, U.S. House of Representatives, today announced that the Subcommittees have scheduled a joint hearing on the Downey-Stark amendment to provide cash and health insurance benefits to workers displaced as a result of military base closings, defense authorization spending cuts, the Clean Air Act Amendments, and protection of species under the Endangered Species Act. The hearing will be held on Wednesday, August 1, 1990, beginning at 10:30 a.m., in room 1100 Longworth House Office Building.

Recent and impending shifts in Federal policy toward the environment and national defense have raised the specter of substantial increases in unemployment in communities throughout the United States. Threatened military base closings, layoffs of civilian defense workers and coal miners, and protection of the spotted owl have darkened the economic outlook. The Downey-Stark amendment is an attempt to help the workers in these communities with cash and health insurance benefits, training, job search assistance, and relocation assistance. A summary of the Downey-Stark amendment is available from the Subcommittee on Human Resources, room B-317 Rayburn House Office Building.

Oral testimony before the Subcommittees will be limited to invited witnesses only.

(MORE)

WRITTEN STATEMENTS IN LIEU OF PERSONAL APPEARANCE:

Any interested person or organization may file written comments for consideration by the Subcommittees and inclusion in the printed record of the hearing. Persons submitting written statements for the printed record should submit at least six (6) copies of their statement by the close of business, Wednesday, August 15, 1990, to Robert J. Leonard, Chief Counsel, Committee on Ways and Means, U.S. House of Representatives, 1102 Longworth House Office Building, Washington, D.C. 20515. If those filing written statements wish to have their statements distributed to the press and interested public, they may deliver 100 additional copies for this purpose to the Subcommittee on Health office, room 1114 Longworth House Office Building, on or before the day of the hearing.

FORMATTING REQUIREMENTS:

Each statement presented for printing to the Committee by a witness, any written statement or exhibit submitted for the printed record or any written comments in response to a request for written comments must conform to the guidelines listed below. Any statement or exhibit not in compliance with these guidelines will **not** be printed, but will be maintained in the Committee files for review and use by the Committee.

1. All statements and any accompanying exhibits for printing must be typed in single space on legal-size paper and may not exceed a total of 10 pages.
2. Copies of whole documents submitted as exhibit material will not be accepted for printing. Instead, exhibit material should be referenced and quoted or paraphrased. All exhibit material not meeting these specifications will be maintained in the Committee files for review and use by the Committee.
3. Statements must contain the name and capacity in which the witness will appear or, for written comments, the name and capacity of the person submitting the statement, as well as any clients or persons, or any organization for whom the witness appears or for whom the statement is submitted.
4. A supplemental sheet must accompany each statement listing the name, full address, a telephone number where the witness or the designated representative may be reached and a topical outline or summary of the comments and recommendations in the full statement. This supplemental sheet will not be included in the printed record.

The above restrictions and limitations apply only to material being submitted for printing. Statements and exhibits or supplementary material submitted solely for distribution to the Members, the press and public during the course of a public hearing, may be submitted in other forms.

Acting Chairman DOWNEY. The subcommittee will come to order. We have called today's session to hear testimony on the Downey-Stark amendment, which would provide cash and health insurance benefits, job search and relocation allowances, training, and coverage under the targeted jobs tax credit to certain dislocated workers.

The Department of Labor recently released a report on worker displacement. In the last 5 years, about 1.8 million workers per year have permanently lost their jobs because a plant or business closed or moved, work was slack, or jobs were abolished. About three-fourths of displaced workers with firm job attachments were reemployed by January 1990, and about three-fifths were earning as much or more than they did before their displacement.

Yet, despite rapidly growing employment, there were perhaps 300,000 workers each year who were permanently displaced and still unemployed. Now employment growth has nearly stalled, and changes in Federal policies will displace defense workers, loggers, coal miners, and others in the next few years. Like other displaced workers in the past, many of these workers will find new jobs. But a few will need our help. Since changes in Federal policy will lead directly to their displacement, we owe it to them to provide the assistance they need.

The Downey-Stark amendment is designed to provide that assistance. Workers who lose their jobs as a result of military base closings, defense spending cuts, protection of endangered species, or the Clean Air Act amendments would be eligible to apply for benefits. Modeled after the existing trade adjustment assistance program, groups of workers would apply to the Department of Labor for eligibility certification. Eligible workers would obtain their benefits from their State employment security agencies. In keeping with our pay-as-you-go mentality, these benefits would be financed by a 5-year extension of the two-tenths of 1 percentage point Federal unemployment tax rate, which expires at the end of the year.

My thanks to all of you for appearing today on such short notice. I am anxious to hear what you have to say about the proposal.

This hearing is jointly chaired by myself and Mr. Stark.

Mr. SHAW. Mr. Chairman, I have a prepared statement which I would ask unanimous consent to put in the record. It says some very nice things about you, but some things that are not so nice about your legislation. I might be predictable but I would like to save time so we can have time to question our witnesses, the Senator and the other Members and not to trespass.

Acting Chairman DOWNEY. Thank you. Without objection, it will be included in the record.

[The statement of Hon. E. Clay Shaw, Jr., follows:]

OPENING STATEMENT OF HON. E. CLAY SHAW, JR.

On Thursday of last week, President Bush signed the Americans with Disabilities Act into law in a spirited Rose Garden ceremony. The President, the Congress, advocates for the handicapped, and disabled Americans were rightly proud of the nation's new commitment to advancing the cause of equity in American society.

Now, less than a week later, we find ourselves seriously considering a piece of legislation that would severely undermine the noble principle underlying the Disabilities Act; namely, that the Federal Government will do everything possible to advance the cause of equity in American society.

According to the Bureau of Labor Statistics, between 1985 and 1990 about 4.3 million workers who had worked for the same employer for 3 years or more lost their jobs because of economic dislocations. According to very rough estimates from CBO, over the next 5 years around 650,000 workers will lose their jobs in the four categories covered by the legislation now before us. What about the other 3.7 million or so workers. Who gets to decide how the Federal Government should discriminate as fairly as possible?

Nor is inequity the only shortcoming of this proposal. In this time of budget cutting and tax increases, do we really think the best use of national resources is to provide workers with benefits in addition to the 26 weeks of unemployment they already receive and in addition to the billions of dollars of training money we already spend? I also wonder about the wisdom of raising taxes on productive employers to pay additional unemployment benefits. Don't the economists tell us that a tax on employment will produce more unemployment—precisely the condition we are trying to remedy?

And finally, how can the Ways and Means Committee, in its concern with equity in the Tax Code and in Federal benefit programs, support a tax that is as regressive as the unemployment tax with its $7,000 base?

Mr. Chairman, we have worked together in a bipartisan spirit on many issues. I have the greatest respect for you and for your leadership on this vitally important subcommittee. But we have a fundamental disagreement on this issue. Once again, you think the way to help people is by giving them a check. In this case, we all agree on 6 months of checks, but you want an additional 6 months.

We question this approach. The only permanent source of income for the overwhelming majority of able-bodied Americans is earned income. Our objective here in the Congress should be to help people earn money—not to give them temporary props that turn out to be traps.

Acting Chairman DOWNEY. Mr. Stark.

Chairman STARK. I thank my colleague from New York for the enterprise and wisdom that he has shown in originating this legislation of which the Health Subcommittee plays but a small role.

I think it is important to note that the way we deal with the transition in the lives of workers whose vocation was created or ended as a result of governmental action will say a great deal about the quality of life that all Americans will enjoy in the future. The loss of health insurance, although it is a small part of the overall problem, is perhaps one of the most fearsome losses that American families will face.

Care now for a routine baby delivery can run as high as $5,000 and an auto accident can cost more than $10,000. I think that we have to look at ourselves as a benevolent employer. You will hear critics today suggest that private enterprise should take care of this. Most of the critics' experience in private enterprise has come from reading Fortune magazine and not from participating in private enterprise.

So the less successful they have been in private enterprise, the quicker they will speak about letting private enterprise solve the problem that Government has created.

I think we ought to be able to do as well as the more forward looking private concerns which, in cooperation with labor organizations, provide extended benefits and additional help for those who are laid off.

As to the expansion of Medicare, we just do a better job. We pay out 98 cents of every dollar taken in. There is no private insurance company that can match that. I say that without prejudice because they obviously have to make a profit and they have overhead which would not trouble us.

There is no added bureaucracy or fussiness. It seems to me you could raise the issue of why we aren't taking care of every Ameri-

can. I would like to ask Dr. Sullivan and President Bush that question myself. The fact is that they are so miserly in their approach to the poor and disadvantaged that a lot of uninsured Americans are not taken care of. However, this committee can make a small start and do it in a budget neutral way.

If we had more money I would be the first to say we should extend this type of coverage and protection to every unemployed American. Let's make a small start today. I commend the gentleman from New York for introducing this legislation.

Acting Chairman DOWNEY. Do any of my Republican colleagues have a statement?

Mr. CHANDLER. Thank you, Mr. Chairman.

As founder of a small business which did become successful and one who has had the experience of not only meeting a payroll but failing to do so a couple of times in my own case, I think I understand something about this topic.

Mr. Chairman, I appreciate having the opportunity to review your proposal before this subcommittee. I want to encourage my colleagues who are charged with protecting America's health care plan for the elderly and disabled to carefully consider the Downey-Stark amendment. Although its objective is to assist workers who are unemployed through no fault of their own, it is an ill-advised attempt to raid the Medicare program.

First of all, the amendment would extend health care benefits to unemployed workers without any assurance that the elderly and disabled would not be cross-subsidizing coverage for the unemployed. The Health Care Financing Administration tells me that the costs associated with managing this program could be equal to, if not greater than, the amount collected from the unemployed in premiums.

What is more, we are having enough difficulty maintaining the current Medicare program for America's most vulnerable population. Does it make sense to put more people on Medicare when we are struggling to pay for those on the program now? For better or worse, let us not forget the options currently available through the COBRA continuity program and Medicaid for those dislocated workers and their families who are without health insurance coverage.

In short, I believe this is ill-conceived, hastily-slapped together proposal that is a serious threat to the integrity and stability of America's health care program for America's most vulnerable population—the elderly.

I want to make it clear that I understand and appreciate the Downey-Stark attempt in crafting this proposal. My concern is that it does not address the underlying problem faced by unemployed workers—they want jobs. We have to be cautious about raising employers' taxes nationwide. We don't want to discourage the creation of new jobs or the ability of employers to retain current workers.

With regard to Washington State, I am concerned about a recent decision of the U.S. Fish and Wildlife Service to list the northern spotted owl as a "threatened" species and how that imperils the economic viability of the Northwest timber industry. The jobs of thousands of people in Washington State are in jeopardy.

The Washington delegation members here today worked with me and the rest of my colleagues from Washington and Oregon on a job-saving measure to limit the export of State and Federal jobs from the Pacific Northwest. As a member of this committee, I spent many hours working on this plan, which is included in the mini-trade bill soon to be brought before Congress for final approval.

Our work will help save timber industry jobs, but it also is an incomplete solution. The Pacific Northwest will soon experience a sharp increase in its unemployment rate. The workers who are displaced as a result of the changing economic climate in the timber industry will be in need of a program that offers them compensation and job search services, to include retraining, not merely temporary unemployment compensation. I would like to commend the chairman on one intriguing idea included in his amendment. That is the provision regarding training, job search allowances and relocation allowances. This is a proposal we need to explore thoroughly. Workers whose entire livelihoods are threatened need to be targeted with a comprehensive plan to train them for new opportunities.

Mr. Chairman, I believe it would be appropriate for the Human Resources Subcommittee to hold a hearing in the State of Washington in the very near future to get a better understanding of the unique needs of the people in the Pacific Northwest. We need to review and analyze the programs already in place to assist these workers and determine whether additional unemployment compensation benefits or other initiatives are necessary.

I might add that last week in a meeting with representatives from Washington Governor Booth Gardner's office, Employment Security Department Commissioner Isiah Turner stated that the Downey-Stark amendment was not the solution. Mr. Turner is the key spokesman for the State's unemployment compensation benefits program. I think we need to find out why he feels this way and what he thinks the State of Washington needs to assist unemployed timber workers.

Mr. Chairman, I have spoken with Senator Dan McDonald, chairman of the Washington State Senate Ways and Means Committee. He would like to discuss with members of this committee a combined State-Federal response to the "spotted owl decision." There are programs in law today which could go a long way toward solving our problem without any further initiative. But most of these programs require State, not Federal, action. We owe it to the Governor of Washington and the legislature to consult with them and determine what initiatives they plan to propose. A hearing in the State would afford this committee the opportunity to meet with Senator McDonald, the Governor, Commissioner Turner and other officials.

We need to consider the possibility of providing specifically targeted relief to those in the industry who are adversely affected by the Endangered Species Act. And we need to provide this relief in an environmentally responsible manner—not by increasing a highly regressive payroll tax on working men and women. To do so only serves to compound the unemployment problem.

The Downey-Stark proposal is grossly unfair in its application and ignores some fundamental realities. By targeting four major causes of unemployment, and providing extended benefits only to those workers who qualify, it leaves out those who have lost their jobs due to other causes. Are they not worthy too? Second, scarce resources are allocated with zero regard to need or circumstance. Consider a mill worker or logger—or perhaps a mineworker from West Virginia—people often with little education or skill beyond their profession. These people would be granted exactly the same benefit as an electrical engineer with a master's degree. The proposal also ignores the community and family situation. A worker laid off from Boeing in a defense cutback may have a spouse earning $100,000 per year and still qualify for extended unemployment benefits. The choker setter in the Washington woods is very likely his family's only supporter. He not only needs unemployment benefits but also training and relocation assistance. We need to carefully examine our priorities before rushing ahead with this legislation.

I have been working to develop solutions to revitalize the timber industry in an effort to ensure that workers are given every chance possible to retain their jobs in that industry. Today, I am prepared to release a preliminary draft on the "Timber Industry Retooling and Retraining Plan." This measure would offer relief to sawmills for expenses associated with retooling from "old growth" to "new growth" timber production. My proposal would also provide funds for retraining and relocation of timber industry workers who are dislocated. It is crafted to be revenue neutral. An excise tax would be imposed on the first sale of harvested timber from a tropical rain forest. In the case of imported timber, the tax would be levied on the value of the wood product imported.

My plan would also allow the 0.2 percent FUTA surcharge to expire at the end of this year. This will give employers more flexibility to work with their budgets and retain employees instead of making the difficult decision to lay them off. I think this is very important. The extension of this surcharge does nothing but take money out of an employer's budget and makes it difficult for employees to be retained or to hire additional help. As my colleague Bill Frenzel put it, "If you predict cloudy weather, and then you pass laws to ensure rain, the cost of being correct is pretty steep."

Mr. Chairman, I would like to conclude by suggesting that it is very premature to throw in the towel on the timber industry in the Pacific Northwest. Yes, there are those who would risk this nation's economic well-being by crippling the timber industry and throwing out of work its thousands of dedicated men and women. But I believe the American people are waking up to the difference between a responsible, concerned environmentalist and an irresponsible gadfly with little regard for people who have invested their lives in honest work. Those workers want their jobs—they do not want a handout.

When this Congress considers the administration's proposal for management of Oregon and Washington forests this fall, I hope we will keep in mind the human element of the decision. Men and women who wear blue shirts and earn their pay with sweat deserve

more than a hastily called hearing and 6 more months of unemployment benefits.

Acting Chairman DOWNEY. Thank you.

I thank the gentleman for inviting the subcommittee to visit the State of Washington. Time will prohibit us from doing that. We feel quite justified in hearing the testimony of many people including the senior Senator as to the effects in Washington State. We are here to learn what we need to learn about this program today.

We don't see the reason for delay and traipsing across the country to find out that unemployed workers need help. The gentleman from California.

Mr. MATSUI. Thank you, Mr. Chairman.

I certainly think your legislation is needed at this particular time. We cannot wait another year or 2 to get at this legislation. Bases are closing. Defense contracts are being cut back as we see in the Washington Post story today. As a result, we have to move quickly.

I want to make just just a couple of comments. It is very interesting that the gentleman from Washington reiterates Republican principles. We want to extend benefits to more unemployed workers and at the same time we don't want to raise taxes.

I would like to find out how he intends to do that. Maybe you can respond later. Second, in terms of the Medicare program, this program will not impact adversely the Medicare program. Mr. Stark is the expert in that area and he has worked that issue out.

Finally, in terms of the taxes, all the proposal does is extend the FUTA tax. It is eight-tenths of 1 percent at this time for the first $7,000. It is scheduled to go down to six-tenths of 1 percent on October of this year.

Mr. Downey's proposal will merely extend that current tax. As a result of that, we are not talking about a new tax.

Acting Chairman DOWNEY. If you will yield, we are doing the exact same thing with the telephone excise tax to pay for child care benefits. So it is not an unusual step to continue a tax at its current level because we are going to do the same thing to pay for the earned income tax credit and the extension of child welfare benefits.

Mr. SHAW. Have you changed the financing then? Have you decided to drop the propsosal to increase the $7,000 salary base to $10,000.

Acting Chairman DOWNEY. This hearing is on the amendment, not on the original bill. It is on the extension, not the expansion.

Mrs. JOHNSON. Does your extension of the two-tenths FUTA tax assume that two-tenths will apply to the $10,000 salary base proposed by Mr. Downey or the current base of $7,000?

Acting Chairman DOWNEY. The two-tenths assumes here for the purposes that we will not extend the base from $7,000 to $10,000. And we would adjust whatever additional changes needed to be made as a result of that reality.

This is based on the $7,000 not the $10,000. Thank you.

Mrs. JOHNSON. We are shooting at a moving target now.

Acting Chairman DOWNEY. No, we are not. All you need to do is read the proposal.

Mr. MATSUI. I yield to the gentleman from Texas.

Mr. PICKLE. While you are on the subject I want to be sure that the 0.2 extension does not expand the taxable-wage base nor in any way gets into the implementing sub-State standards. It is just the 0.2 extension?

Acting Chairman DOWNEY. That is correct.

Mr. MATSUI. In California we anticipate over the next 2 years, with the cutback in defense contracts, over 100,000 defense employees could be laid off. It is astonishing that the testimony of the Director of the Office of Economic Adjustment at the Department of Defense, who we will be hearing from later this afternoon, suggests that the Office of Economic Adjustment can handle that number of dislocated workers.

In Sacramento County alone we could have 20,000 civilian employees who are currently on three military bases laid off. Again, he is suggesting the Office of Economic Adjustment can handle that. If the gentleman would only understand the legislation that was passed authorizing the Office of Economic Adjustment, he will find that it is really just a short-term approach and for only individual employees, not for the massive layoffs we anticipate over the next 2 to 4 years.

It is very disheartening to see the administration oppose this very innovative approach at a time when we will experience tremendous layoffs over the next few years.

I yield back to the chairman.

Mrs. KENNELLY. Mr. Chairman.

Acting Chairman DOWNEY. Mr. Levin.

Mr. LEVIN. I think Mrs. Kennelly was first.

Acting Chairman DOWNEY. I am sorry. Mrs. Kennelly.

Mrs. KENNELLY. I will be quick and ask permission to put my entire statement in the record. I would just like to highlight the fact that the need for moving ahead on this proposal is important to my own State of Connecticut where workers who have already been laid off due to expected defense cuts or cuts that have already been made. I am concerned that some of these workers will not be covered by this innovative piece of legislation.

I would like to say that we have to move forward. I cannot think of a more important piece of legislation than this to address the expected economic dislocation. We here in the Congress must be prepared to do something about it.

[The statement of Mrs. Kennelly follows:]

OPENING STATEMENT OF HON. BARBARA B. KENNELLY

Thank you Mr. Chairman. I welcome this opportunity to take a careful look at the Downey-Stark Amendment to the Unemployment Compensation Reform bill. It is obvious that thousands of people will be affected as our nation reevaluates its foreign and domestic priorities.

Mr. Chairman, while I commend both you and Chairman Stark on your efforts to confront this issue, I am eager to learn more about the impact such comprehensive legislation will have on the budget. I am also eager to express my concern that not all workers will be protected under this legislation.

There are defense industry workers in my State who have already been impacted by expected reductions in defense spending. I would be curious to know how these workers may receive benefits that will be offered to others in the future by this amendment.

I look forward to hearing testimony on these issues and preparing for the challenges we face in entering into a new economic era.

Thank you.

Acting Chairman DOWNEY. Mr. Levin.

Mr. LEVIN. Thank you, Mr. Chairman.

I congratulate you and Pete Stark for holding this hearing.

I want to make a brief point. This proposal shows the poverty of our present response to unemployment. Here is a proposal to try to respond to the needs of people who are going to be laid off because of defense cuts and other changes in Federal policies.

As Mr. Downey pointed out in his statement, 300,000 workers each year are permanently displaced and still unemployed. One question we must ask as we proceed is: what kinds of distinctions are we making here? We are responding here to a need in three or four areas of Federal policymaking. We also have to ask ourselves about the other 300,000 who also, I might add, have often been laid off because of Federal policies or the lack thereof.

There are only about 25,000 workers today covered by TAA but there are tens of thousands who are permanently laid off in this country because of our woefully inadequate response to our trade problems, and have no health insurance and no training or retraining programs.

So as we put the spotlight on the tens of thousands covered by this proposal, let's remember the spotlight also needs to touch the lives of tens of thousands of others.

Mr. GRADISON. You may well be 100 percent right that if we read the Downey-Stark amendment, we would understand it. I thought the proposal we were dealing with today was the same one we considered in full committee 2 weeks ago. It is apparent that it is not. If you reduce the 5-year costs and 5-year benefits from $14 billion to $5 or $6 billion, who gets left out? I have been told that the $5 billion would be adequate to assist about 200,000 workers.

I would like to understand if that is correct because if that is correct, is it first-come-first-served, or what? It may be that the group our colleague from Michigan was referring to will be left out. Maybe there is not enough money in the financing of this bill to meet all those needs. I want to make sure I know what the balance is against the revenues and the expenditures and who is going to get this and how.

Acting Chairman DOWNEY. The gentleman asks excellent questions. The fact is that the revenue has been pared back. The number of persons who will ultimately be served is approximately correct and it will also be done on a first-come-first-served basis.

If the gentleman from Florida or Washington or the gentlelady from Connecticut would like to see the expanded benefits, which I think the majority of us would like to do, maybe they could help us expand the tax rate so we could help additional people.

It seems disingenious to wring your hands about people not being covered and on the other hand say you don't want to see the tax rate raised to cover additional people. Yes, there are a limited number of benefits and limited money.

We intend to target it to those areas of the country who move quickly and have programs in place in their State unemployment system to take advantage of it. It should cover more people but we

do not have the votes to expand the tax to cover everybody. It appears we have the votes to go this far.

Frankly, I think we need to go further.

Mr. PICKLE. We have a most distinguished Senator from the other body here; a former colleague and one of the busiest men in the United States. He is a former member of my own former committee. I know he needs to testify to return to the other body, and I know we have present some of the most important Members of the House who are anxious to testify. I wonder if we could get to them?

Acting Chairman DOWNEY. We certainly will.

Mr. ANDREWS. Just to follow up on those remarks, how do we make—from a public policy standpoint—the distinctions between workers who lose their jobs because of cutbacks in defense or the Clean Air Act or the steelworker in Texas who has lost his job as a result of trade policy or an autoworker in Michigan?

Can you just say that it is the first-come-first-served and we don't have enough money to cover everyone? I am not sure from a public policy standpoint. I think we need to say more to the workers we are not helping.

Acting Chairman DOWNEY. Under the original bill that my colleague was prepared to support when we expanded the wage base, we would have been able to offer a State that had high unemployment in the steel area or where there were laid off autoworkers, an additional 13 weeks of benefits. The Governor would have been given the flexibility within SMSA's within his State to target benefits.

The gentleman asks the appropriate question. What we have attempted to do given limited resources is target the money to those workers who are directly unemployed as a result of Federal action. To those workers in particular we are saying, we bear some additional responsibility for your plight. We recognize that and are prepared to offer those benefits. I would like to deal with the workers who are unemployed because of some vagarities in the marketplace or foreign competition with the other half of the bill because they would have been taken care of, in my opinion, adequately.

But here we are saying if it is a result of Federal action, we want to extend to you some additional help and benefit because you have been relying on Federal contracts or a change in the Clean Air Act or a change in the environmental provisions of the Endangered Species Act, we owe you a little more.

You are right, it is difficult to say to one worker, you get 52 weeks, and to another you get 26 weeks.

Mr. SHAW. Mr. Chairman, aren't you talking about a small number within that class.

Acting Chairman DOWNEY. Yes, I hope the gentleman if he wants to expand it would vote for the additional revenue to expand it.

Mr. SHAW. We would not expand the number of people eligible if we oppose the additional tax.

Acting Chairman DOWNEY. Rather than at this point engage again in debate, we have a number of colleagues here. We will happily debate this when it come up for markup following the recess. I would ask the indulgence of the committee so we could begin hearing Senator Adams and the Members of the House.

STATEMENT OF HON. BROCK ADAMS, A U.S. SENATOR FROM THE STATE OF WASHINGTON

Senator ADAMS. Thank you, Mr. Chairman.

It is a great pleasure to return to the House again. It has not changed. The debates are still as good and as directly to the point. I thank Mr. Pickle for his comments. Yes, I was the first budget chairman. It did work at that time. I don't take responsibility for what is happening now.

I appreciate very much the opportunity to testify before the Ways and Means Committee and express my support for the efforts of Congressmen Downey and Stark to help our country come to grips with an emerging issue of critical importance, how to deal with the consequences of changing Federal policies that significantly affect local employment.

Congressman Downey and Congressman Stark on behalf of the citizens of my State, particularly those whose jobs are jeopardized by the planned implementation of the Endangered Species Act as it relates to the spotted owl, I want to commend you and thank you. I anticipate in the coming years as our defense spending is adjusted to reflect the changing world in which we live and as the military base closures are implemented, I will have cause to thank you again for showing the leadership you have demonstrated in focusing attention on this growing problem.

To those parenthetically I will say we will also suffer from that when those closures or reductions start. Earlier this week a representative of the Washington State Security Department testified before the House Committee on Small Business. Of particular significance in that presentation were the following points: first, the existing Federal programs are inadequate to meet the demands presented by large-scale dislocation resulting from shifting Federal policies; and second, that State officials would welcome the establishment of a new program to assist workers dislocated as a result of Federal environmental actions.

Mr. Chairman, I would like to ask unanimous consent that I place the testimony of these witnesses in this record at this point. I will supply copies to the committee.

Acting Chairman DOWNEY. Without objection the testimony will be placed at the appropriate point.

Senator ADAMS. I think you will find that testimony is in opposition to some of the comments made prior to this before the committee. Our State needs and wants this program. They have so testified. That was later information than was previously supplied.

Mr. Chairman, I believe when dramatic changes in Federal policy bring rapid economic change to communities, the Federal Government should be prepared to assist those communities in making the transition stemming from those actions.

Whether it is a timber community in western Washington State, a coal mining community in the hills of West Virginia or a town or community located near a military base or defense facility, the Federal response should adequately reflect the degree of Federal responsibility for the change being inflicted on local jobs and local workers. Existing Federal retraining and assistance programs are simply inadequate to meet the challenge presented. What we need

is a bold, new initiative on the level of a domestic Marshall plan for American workers and industries in transition. To do less would be an admission that we have failed to recognize the extent of the problem facing our work force as a result of Federal policy changes.

I am prepared to introduce companion legislation in the U.S. Senate, modeled after the Downey-Stark initiative, and will urge the Senate leadership to make this effort a legislative priority. Thank you again for the opportunity to testify today, and for your leadership and commitment in this valuable effort.

I might state, Mr. Chairman, that as a matter of institutional knowledge for some of you who might not have been here in 1969, we went through this once before. Boeing Co. laid off 65,000 people just before Christmas. They put a sign up on a billboard saying, "Last person out of Seattle, turn off the lights." Senator Magnuson came to Ways and Means and talked to Wilbur Mills and this committee extended unemployment compensation benefits for 13 weeks so our people could live.

I was grateful for that then and I am grateful for what you are doing now. I think that institutional knowledge is important. We as a nation owe our people the chance to have transition. I thank you for offering me the opportunity to testify. I will be happy to answer your questions. I appreciate the fact that there is an initiative to take care of our own. Those are our people throughout the entire United States because this problem is coming to all of us.

[The statement of Senator Adams and additional testimony referred to follow:]

U.S. Senator

BROCK ADAMS

of Washington

Committees:
Appropriations
Labor and Human Resources
Rules and Administration

STATEMENT BY U.S. SENATOR BROCK ADAMS

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For more information, call Pam McKinney/Doug Levy at 202/224-0228.

TESTIMONY OF ISIAH TURNER, COMMISSIONER

WASHINGTON STATE EMPLOYMENT SECURITY DEPARTMENT

1. TO WHAT EXTENT HAS YOUR DEPARTMENT CONDUCTED SPECIAL PLANNING AND ANALYSIS ON THE SPOTTED OWL ISSUE AND ITS IMPACT ON EMPLOYMENT?

The Washington State Employment Security Department, in coordination with Governor Booth Gardner's Timber Team, have been developing systematic strategies and options to reduce prolonged unemployment for citizens of Pacific Northwest Timber dependent communities.

The theme of the Governor's program has been stability and balance.

A BALANCED APPROACH TO FEDERAL FORESTRY MANAGEMENT: We are suggesting a phase-down of harvest on federal lands in order to promote stability for communities as well as protect owls and old growth.

LOG EXPORT RESTRICTIONS: We have succeeded in promoting legislation which would restrict 3/4 of the exports from state lands. This would provide greater stability by ensuring that federal supplies would be to some extent replaced by logs formerly exported.

STABILITY OF PRIVATE TIMBER SUPPLY: Federal supplies constitute only 1/3 of the supply to our mills and 1/5 of our state harvest. The vast majority of our supply comes from private lands. It is even more important than ever to assure a stability of supply from those sources.

COMMUNITY STABILITY: A comprehensive worker, community and business assistance package to empower communities and families to respond to change. We are striving for a federal/state/local government partnership to provide the means for local communities to make their own decisions for the future. Whenever possible, the decisions should be made by the affected communities themselves.

WORKER ASSISTANCE: The point here is that the burden of policy decisions made by our entire society should not be borne solely by those who work in the woods. The rest of society should be willing to share in the costs.

The overall strategy is to secure resources to help workers make the transition to new employment opportunities as well as ease the pain of the transition.

This strategy leads us to promote two types of programs: first, programs which provide training and encouragement for workers to engage in training, and second, programs which ease the pain of transition.

COMMUNITY EMPOWERMENT: The strategy here is to help build the capacity for communities to successfully build new economic opportunities. The role of the state is to get the process moving and provide initial capital and technical assistance.

Very few, if any, communities are solely dependent on federal timber. However, a few are significantly dependent and loss of those economic opportunities can be crippling unless communities can be proactive in building new alternatives. Past examples demonstrate that the psychological impact of economic dislocation is often more debilitating than the actual economic events. The damage is done by the loss of confidence and the creation of a bad investment climate.

The first type of program includes comprehensive retraining assistance as well as support services which keep people in training such as daily subsistence, transportation expenses and day care. If we try to short change workers on these fronts we will end up paying more as workers will not be able to afford training.

The second type of program should include medical coverage for dislocated workers, assistance on rent and mortgage payments to prevent homelessness, alcohol and substance abuse, counseling and other necessities. These services may seem extravagant to people who already have them, but they are not amenities, they are necessities. Since the strategy is to transition people to other occupations, we can only provide these services for a limited period of time.

VALUE-ADDED: Log export restrictions will not directly replace the jobs lost from federal supply cutbacks. We need to do more than that. We can provide for adequate jobs on a smaller federal land base, but only if we have adequate time to shift our forestry economy from harvesting and exporting raw logs and raw lumber to higher value-added wood products. That does not happen overnight. As we phase out federal timber supplies we need to aggressively promote a high, value-added forest products industry which provides more jobs from more wood processing.

The Governor's economic development strategy for timber communities has always been focused on opportunities for value-added. It has a great deal of potential and is culturally compatible with what people are used to doing. For this program to succeed, it needs to be accompanied by a program to assure the financial community that the 11 percent overall timber supply decline caused by the spotted owl is not a hindrance to additional value-added.

The more value you add to a raw material the more that material is worth and the more employment and income is earned from that raw material. The value of a high value-added product consists almost entirely of high-skilled labor and a small proportion of raw materials. The value of low value-added products consists primarily of the raw material.

The less developed the economy of a nation, the more dependent that nation is on exporting raw materials. As a nation becomes more sophisticated, it develops the skills needed to turn the raw materials into finished products and identify specialized, high value market niches. Shipping raw logs to the docks and marketing the raw logs overseas actually adds value to the logs and brings in greater income to the state. The ability and knowledge involved in logging, transporting, marketing and financing those logs are high skilled professions which add considerable value to the logs. Further, processing the raw logs by milling them into lumber adds even more value. And, taking the lumber and processing it into window frames, doors, furniture and modular housing adds even more value. Each of those steps additional transporting, processing, marketing and financing.

In fact, the movement from exporting raw materials-dominated products, to exporting more sophisticated human resource-dominated products can be described as a pyramid, with raw materials on the bottom and sophisticated services and technological information at the top.

If the state's wood products industry were confined to harvesting raw materials and simply exporting them, the state would have had a $2 billion dollar wood products industry in 1986. The wood products industry was in fact a $20 billion industry that year. The difference was the value added to wood in primary and secondary processing. If the state's wood products industry reached its full potential to turn raw materials into manufactured products, it could produce billions in additional value from the same wood resources harvested.

The Employment Security Department has a multitude of existing programs to provide full employment and economic stability for the citizens of the state. In order to respond to the pending economic transition which will impact timber dependent communities, the Department service delivery priorities are:

- To find employment for job seekers;
- To assist employers in filling jobs;
- To provide opportunities for job-related education and training;
- To operate the unemployment insurance program and compensate eligible workers in a timely and fair manner;
- To collect, analyze, and disseminate employment, labor market and occupational information;
- To carry out the Governor's responsibilities under the Federal Job Training Partnership Act (JTPA) including intervention, training strategies, and services to assist dislocated workers to become reemployed.

The Employment Security Department and other Washington State agencies are gearing up for the many challenges presented by diminishing federal timber supplies. Under the direction and support of the Governor's response activities, the Employment Security Department has been working in partnership with other state agencies, the wood products industry, local governments, business, organized labor, the workers themselves, local communities and the federal government.

The actual employment losses due to the outcome of the spotted owl issue are difficult now to predict. We are awaiting the results of the September 1, 1990 federal decision regarding the timing and degree of spotted owl timber reductions plans. We have been assessing the potential scenario impacts for the timber dependent communities. On a national scale the potential effects of owl protection will be small, but the average will be of little comfort to towns such as Forks or Humptulips and the families that will be severely hurt.

One key of the Washington State approach is the development and support of local leadership skills including implementation of local economic diversification projects. Worker assistance activities include a comprehensive package of strategies to assist timber workers find suitable employment.

2. DO YOU HAVE AN ESTIMATE OF THE IMPACT ON EMPLOYMENT IN THE STATE OF WASHINGTON?

The summary is an estimation of employment impact of timber harvest variation in Washington State. The following figures are based on the assumption that the Federal Interagency Scientific Commission Report would be utilized as the spotted owl conservation plan. At this time, we are waiting the federal decision to be made September 1, 1990, to announce the actual interim plan.

In the three-year period ending in 1989, Washington's annual timber harvest averaged seven billion board-feet (bbf). Annual exports averaged 2.6 billion board-feet.

Average annual employment in the lumber and wood products industry was 42,160 (41,060 nonagricultural workers and 1,100 sole proprietors). Of these 42,160 individuals, 11,740 were in logging operations and 30,420 were in milling and processing.

Based on these harvest and employment figures, each million board-feet of harvest represents:

- 1.7 logging jobs and 7.0 lumber processing (mill) jobs.
- $282,932 in direct wages and benefits ($24,230 in wages and $8,460 in benefits per worker).
- 16.9 indirect jobs (jobs multiplier of 2.95*).
- $418,740 in indirect and induced wages and benefits (income multiplier of 2.48*).

* (The 2.95 jobs multiplier and 2.48 income multiplier are from the Washington Input-Output Study for 1982, Professor Phillip J. Borque, University of Washington.)

The Interagency Scientific Commission (ISC) report proposed reduced harvest levels on federal and state lands. In 1989, an estimated 1,286.6 million board-feet (mbf) of timber was cut from United States Forest Service (USFS) lands and 840 mbf from state lands in Washington. The ISC proposal would allow a harvest of 542.4 million board-feet of timber from USFS lands. This represents a decline of 57.8 percent relative to the 1989 harvest level. The proposed state harvest would be between 685 and 781 million board-feet.

Declines of this magnitude could result in losses of:

- 1,350 - 1,520 logging and 5,610 - 6,280 milling jobs (6,960 - 7,800 total).
- Up to $254,328,000 in direct wages and benefits.
- Between 13,600 and 15,200 indirect and induced jobs.
- Upwards of $376,406,000 in indirect and induced wages and benefits.

NOTE: The figures above in question 2 are based on nonagricultural wage and salary jobs and estimates of sole proprietors or self-employed individuals. Because of the higher rural concentration of self-employed lumber and wood products workers, it should be recognized that this analysis could underestimate the total economic impact of any harvest decline.

Until the decision is announced on September 1, 1990, the actual employment impacts are only best guesses.

3. WHAT STATE AND FEDERAL PROGRAMS PRESENTLY EXIST WHICH MAY BE IMPLEMENTED IN THIS SPECIFIC DISPLACEMENT ISSUE?

TRADE ACT ACTIVITIES: Trade Adjustment Assistance (TAA) is available to workers who lose their jobs or whose hours of work and wages are reduced as a result of increased imports. TAA includes a variety of benefits and reemployment services such as: Training/Retraining; Job Search Assistance; Relocation Assistance; Trade Readjustment Allowance.

A company representative, a union representative or any three employees may apply for Trade Act Certification by filing a request with the Department of Labor (DOL). The DOL will research each petition; it is not necessary for the employees or the company to prove the impact of imports on the company.

EMPLOYMENT SERVICES: The Wagner-Peyser Act established a system of publicly funded employment offices. The primary mandate of Wagner-Peyser is to act as a labor exchange to match job seekers and employers through a network of local Job Service Centers. Employment services include a system for clearing labor between the states. Wagner-Peyser services also include certification of employment eligibility and the administration of the "work test" to unemployment insurance claimants. Related services such as employment counseling and testing are provided within budget constraints.

UNEMPLOYMENT INSURANCE: The federal/state unemployment insurance program was originally designed to counteract the economic and social effects of unemployment through short-term payments to unemployed individuals while they seek work. The unemployment insurance program consists of two major components, the Benefit Payment System and the Employer Tax System. The Benefit Payment System provides payments directly to qualified unemployed workers. The Employer Tax System registers and collects quarterly taxes from employers. The employer taxes support the Unemployment Insurance Trust Fund, which is used to pay benefits.

VETERANS SERVICE: Veterans Employment Representative and Disabled Veterans Outreach Programs give priority service to veterans, particularly Vietnam era and disabled veterans. (See Attachment 8)

PUBLIC ASSISTANCE EMPLOYMENT AND TRAINING: The Family Independence Program (FIP) is a five-year demonstration project launched in 1988 as an alternative to the Aid to Families with Dependent Children (AFDC) program.

The Opportunities Program is jointly administered by the Department of Social and Health Services and the Employment Security Department. The program consolidates the Work Incentive (WIN) Program, the Employment and Training Program, the Community Work Experience Program and the Employment Partnership Program. Like the FIP Program, the purpose of Opportunities Program is to assist AFDC recipients to become self-sufficient.

JOB TRAINING PARTNERSHIP ACT (JTPA) SERVICE DELIVERY PROGRAMS: JTPA is a federal employment and training program which Employment Security passes through federal funds to 12 Service Delivery Areas in which Private Industry Councils address needs of local communities. JTPA provides funds to prepare economically disadvantaged adults and youths to overcome barriers to employment. The intent is to operate employment and training programs to prepare economically disadvantaged youths and adults overcome barriers to employment. The services are unique to each SDA with classroom training, on-the-job training, workplace literacy, job counseling and vocational exploration activities.

ECONOMIC DISLOCATION AND WORKER ADJUSTMENT ASSISTANCE ACT (EDWAA): This Act became law in August 1988 as a comprehensive new dislocated worker training program to replace Title III of the Job Training Partnership Act which established programs for dislocated workers. This legislation was passed as a part of a comprehensive trade reform bill. The new program, called the Worker Adjustment Program, was required to be fully implemented by July 1, 1989.

In Washington, sixty percent of the EDWAA funds are allocated to substate areas (the Private Industry Councils) and 40 percent may be reserved by the Governor to provide state or industrywide projects. Funds are available to develop, fund, and evaluate employment and training intervention strategies for dislocated workers. Activities include:

- Developing and funding labor-management (community) committees,
- Responding to plant closures and mass layoffs; and
- Integrating and coordinating Dislocated Worker programs and Trade Adjustment services.

4. ARE THERE OPPORTUNITIES FOR COOPERATIVE FEDERAL AND STATE INTERVENTION PROGRAMS? WHAT IS THE SINGLE MOST IMPORTANT STEP THE FEDERAL GOVERNMENT COULD TAKE IN HELPING STATES RESPOND TO THE DISLOCATIONS THAT MAY OCCUR AS A RESULT OF FEDERAL TIMBER SUPPLY DECISIONS?

This Pacific Northwest timber situation provides the opportunity for true partnership between federal and state agencies to jointly plan and administer employment and training assistance with adequate daily subsistence for workers in long-term retraining activities. The most important step the federal government could undertake is to earmark funds for specific economic dislocations and providing for income benefits to workers in retraining activities. The establishment of environmental dislocation job training program would assist in reducing the pain of this economic transition.

5. ARE THERE SPECIFIC CHANGES IN JTPA, UNEMPLOYMENT COMPENSATION AND OTHER PROGRAMS TO MAKE THEM MORE EFFECTIVE IN DEALING WITH DISLOCATED TIMBER WORKERS?

SPECIFIC CHANGES IN JTPA-EDWAA: The majority of dislocated timber workers do not qualify for needs-related payments. The law allows needs-related payments to be provided to eligible dislocated workers who either (1) do not qualify for unemployment compensation, or (2) have ceased to qualify for unemployment compensation, in order to enable such a worker to participate in training or educational programs. An eligible dislocated worker who has ceased to qualify for unemployment compensation must have been enrolled in training by the end of the 13th week of the worker's initial unemployment compensation benefit period, or, if later, the end of the 8th week after an employee is informed that a short-term layoff will in fact exceed six months.

We are finding that many dislocated timber workers have, at a prior time, qualified for unemployment insurance compensation. But now they have exhausted their unemployment compensation, do not have enough hours to file a new claim, and did not enroll in training by the 13th week of their initial claim. To be more effective in serving dislocated timber workers, Section 314(e) of JTPA/EDWAA on need-related payment should be rewritten to allow these payments to be given to dislocated (timber) workers who were unable to enroll in training by the 13th week of their initial claim.

The needs-related payments and supportive services limitation on the use of funds (not more than 25 percent of the total funds expended), should be lifted. In order for eligible dislocated timber workers to attend and commit to long-term training, needs-related payments and supportive services must be available. The costs would often exceed 25 percent of the total expenditures.

SPECIFIC CHANGES FOR WAGNER-PEYSER: The Employment Service has traditionally and historically performed the role of a public labor exchange, and is well suited to assist and support reemployment activities for workers dislocated from the timber industry.

The resources to support the Employment Service are provided through funding under the Wagner-Peyser. This funding has been significantly reduced beginning in Fiscal Year 1983. From our perspective, a significant increase is needed in Wagner-Peyser funding to support the Employment Service.

In relation to specific impacts that may occur due to federal timber supply decisions, another approach may be best. As Title III of JTPA provides for discretionary funding to address unanticipated dislocations a similar type of discretionary fund for Wagner-Peyser could provide additional resources for labor exchange assistance. Such a discretionary fund would appear to be possible utilizing the provisions of Section 7.b. of the amended Wagner-Peyser Act. The Department strongly advocates that consideration be given to this type of a Wagner-Peyser discretionary fund. The Department also strongly suggests that if such a fund is established, it be supported by additional funding appropriations and not held back from the already inadequate funding of the Employment Service.

6. WOULD YOU SUPPORT A NEW FEDERAL INITIATIVE -- PERHAPS MODELED AFTER THE TRADE ADJUSTMENT ASSISTANCE PROGRAM -- TO PROVIDE RETRAINING AND INCOME SUPPORT ASSISTANCE TO DISLOCATED TIMBER WORKERS?

   Yes. The concept of combining training and income assistance in retraining activities is necessary to ensure continued long-term client enrollment. Major job training efforts require lengths of time from one to two years of attendance for displaced workers. A substantial proportion of dislocated workers are poorly equipped to learn new job skills, except for relatively elementary ones, because many have deficiencies in basic education, or use only a narrow range of job skills that do not transfer to difficult demand occupations. Trade Adjustment support has made it possible for some workers to complete longer term training than could otherwise be afforded. The length of long-term training goes beyond the unemployment insurance payments for only 30 weeks.

7. DO YOU BELIEVE THAT RETRAINING EFFORTS, PARTICULARLY IN SMALL, RURAL COMMUNITIES, CAN BE EFFECTIVE? WHAT SORTS OF JOBS IN THESE AREAS CAN BE ESTABLISHED? ARE THOSE JOBS LIKELY TO PROVIDE THE SAME STANDARD OF LIVING? HOW LONG WILL THE WORKER RETRAINING PROCESS LIKELY TAKE FOR THE TYPICAL DISPLACED TIMBER WORKER?

   The lack of economic diversity in small and rural communities requires special strategies for successful retraining. Equal focus is given to training for new industry, and to businesses or institutions whose needs for trained employees are not being met. The Department has a special Business Resource Network Unit that coordinates agency resources with other economic development agencies and organizations.

Individual training examples that lead to local "family wage" jobs of comparable living standard include:

Auto Mechanic	Accounting
Business Management	Carpentry
Computer Repair	Electronics
Fish/Wildlife Management	Heating/Air Conditioning
Machinist	Sheetmetal

Training for these jobs must include extensive readjustment (getting past denial) and basic skill development, and in-depth occupational skills training. Typical training time ranges from one to two years. Workers need both support services and interim jobs to complete a successful retraining plan.

8. DOES THE DEPARTMENT ANTICIPATE OFFERING ANY NEW PROGRAMS TO HELP NORTHWEST WORKERS WHO WILL LOSE THEIR JOBS AS A RESULT OF TIMBER CLOSURES?

The Department has a history of developing creative strategies to meet the needs of dislocated workers. Each industry or community has specific needs in addition to those common to most all dislocated workers. We have two projects; one in place and one about to start, that are examples of focusing on special dislocation needs.

NEW CHANCE: Forest industry workers have a heavy investment in their jobs and lifestyle. Therefore, dislocated timber workers usually experience an extensive period of "denial" and need a considerable period of readjustment. The New Chance workshop is 8-10 weeks in length and helps with readjustment, self-esteem, plus more practical matters of basic skills, vocational planning, labor market information, and financial planning. Ninty-five percent of graduates either go on to training or obtain suitable employment.

SPECIAL OUTREACH PILOT PROJECT: Many timber workers live in isolated rural areas. Special outreach strategies are required to assume access to services. A special outreach pilot is about to start. The plan includes itinerant sites in small communities and a mobile unit. Each will be able to provide basic services and initial preparation for workers to engage in more extensive planning and training in larger (but still small) communities where full services are available. We expect to learn much about removing the barriers of isolation of rural dislocation.

9. ARE CURRENT PROGRAMS ADEQUATE? DO YOU BELIEVE THAT THE FEDERAL GOVERNMENT HAS A SPECIAL RESPONSIBILITY IN A CASE WHERE ENVIRONMENTAL PROTECTION ENFORCEMENT HAS SEVERELY IMPACTED WORKERS AND ENTIRE COMMUNITIES?

The need to serve estimated thousands of displaced forest industry workers far exceeds the current resources in dislocated workers programs. The existing Job Training Partnership Act Title III program does not provide sufficient income support payments for workers in long-term training. The Trade Act Assistance Program only serves a small number of the total dislocated worker population. One issue is, will additional financial resources be increased in relationship to demand for services? We believe that current programs do not have adequate resources to respond to expected client demands.

In regard to federal special responsibility in environmental protection impacts on workers and communities, we believe additional federal response is appropriate. We concur with the Congressional Research Service's May 25, 1990 letter, entitled "Designing a benefit program for workers dislocated by Federal Environmental Policies," that outlines the benefits of a new approach.

> "The Government is considering stricter regulation of economic activity in order to preserve or restore environmental quality. It is likely that pressure to strengthen environmental protection measures will increase. The question has arisen of whether unemployment caused by new environment regulations should be singled out for special Government compensation."

"Policymakers concerned with economic losses of workers dislocated by environmental policies likely will consider whether to rely on the existing network of programs and seek their improvement or design a new approach to the problem. Either strategy would require substantive legislation."

"The size of the environmental dislocation problem, while potentially significant, may or may not be large enough nationally to improve chances of success in making major improvements in UC, JTPA, or aid to the needy. Pursuit of a special purpose program may be a more realistic legislative strategy."

"A new program to aid workers displaced by environmental policies could be designed to cover such situations generally under a single set of rules. The TAA program for trade-impacted workers is the current program most in keeping with this approach."

We concur with the following observation made by Jim Storey, Specialist in Social Legislation, Education, and Public Welfare Division, Congressional Research Service, Library of Congress, in a letter dated May 25, 1990.

"Unemployment caused by environmental regulation can often be concentrated in specific industries and/or regions, particularly when new environmental controls emerge in response to specific economic activities. Sometimes, the viability of major segments of an industry or community may be threatened by restrictions aimed at environmental protection or improvement. Three current examples--control of acid rain, preservation of habitat of the spotted owl, and preservation of habitat of the red-cockaded woodpecker--are discussed below."

"Each of these situations could be dealt with separately, but Congress also could consider a general plan that could compensate uniformly any group of workers able to demonstrate loss of work because of Federal policies to promote environmental quality. The advantage of a general plan would be that Congress could apply the same rules to similarly affected workers through a single agency and perhaps avoid the excesses and inefficiencies that have accompanied ad hoc employee protection efforts in the past."

We welcome the study and review of the establishment of a new program to assist workers due to federal environmental protection actions.

10. WHAT IS THE FEDERAL LABOR DEPARTMENT'S RECORD IN FUNDING GRANT REQUESTS FROM WASHINGTON FOR TITLE III JTPA DISCRETIONARY FUNDS TO ASSIST DISLOCATED WOOD PRODUCT WORKERS?

In 1987 and 1988, the state of Washington Employment Security Department submitted two separate grant proposals for Title III, JTPA discretionary funds. Both discretionary grants could be expended over a two year period. In 1987, the Department submitted a statewide comprehensive proposal to serve dislocated workers from 22 anticipated plant closures and mass layoffs. However, not all of these closures or layoffs were in the wood products industry. Originally, only three of these plant closures/layoffs were in this industry.

Since the approval for the original statewide comprehensive grant, several modifications were submitted to the Department of Labor. Not all of the anticipated closures/layoffs occurred and, in addition, unanticipated closures/layoffs happened. Continued modifications to redirect funds was necessary. To date, services were provided to workers from five closures/layoffs in the wood products industry.

In 1988, the Department requested discretionary funds for layoffs anticipated at the Hanford Nuclear site. The funds were granted but only after a significant number of workers had been dislocated. In addition, the layoffs never reached the level projected in the original grant proposal. The Department requested a modification to redirect the use of the Hanford grant to serve dislocated workers in the wood products industry.

The Department of Labor allowed the state to redirect a portion of the Hanford grant to serve dislocated wood products workers. However, again, approval to redirect funds was delayed and not all of the funds could be redirected to the wood products industry.

The current grant application and modification process for Title III JTPA discretionary funds does not respond effectively to allow for early intervention. We recommend a "fast track" application/modification process be implemented to allow for early intervention of services.

Acting Chairman DOWNEY. Thank you, Senator Adams. We welcome the fact that you will be playing a role on the Senate side with companion legislation.

I have a specific question about Washington. Are your Governor and the State employment people supportive of this initiative as well?

Senator ADAMS. Yes, they are supportive of this initiative because the present programs are inadequate. That is the testimony I asked to put in the record so that you will have it.

The present programs are simply inadequate to handle the scope and size of the programs. I want to commend this committee, the ones who have drafted this, for using existing programs and existing operations so administrative costs are not increased.

Very well done.

Acting Chairman DOWNEY. Are there are other questions?

Mr. GRADISON. Senator, with regard to the financing of the piece of this program that would provide additional assistance to workers who lose their jobs because of Defense changes, wouldn't it be fairer to finance it out of the Defense budget than to levy a tax on all the employers of America?

Senator ADAMS. I think the best way is that suggested by the cosponsors and that is to extend the existing tax. This is a known and existing tax system and program availability to start with that. Now when you start going to the Defense budget itself, we are going to have a terrible fight over how much is cut and whether that is going to go against the deficit or go for a number of other programs.

The sponsors have carefully placed this all in one package so that revenue support and benefits are all within one area. The Defense budget savings, whatever we get out of it, are going to be demanded by everyone and there is going to be a terrible fight over it. I think the committee is very wise to stay within the four corners of this program.

Acting Chairman DOWNEY. Mr. Andrews.

Mr. ANDREWS. I would like to ask the same question I asked Chairman Downey, just to get your thoughts for the benefit of the committee. I recognize the special situation the State of Washington finds itself in, there are certainly a lot of defense workers in Texas who find their jobs in jeopardy because of this and likely because of the Clean Air Act.

From a policy standpoint, what do you say to steelworkers or autoworkers or other workers around the country who lose their jobs directly as a result of some Federal policy? How do you make that distinction here?

Senator ADAMS. We are starting now with what I mentioned as a Marshall program to help people affected by Federal changes. We should have been doing this, Mr. Andrews, a long time ago, as a better society.

We made some tentative small steps with the Trade Adjustment Act and others to help certain industries as this started. We created the unemployment compensation program to do the same things. What has happened is that it has been overwhelmed. We are trying now to make up for past efforts.

I wish we had done this as a society a long time ago. The other industrialized societies in the world do this. We are taking a first step. As was pointed out in the debate and I know it will be a good one before this committee, you may well want in future years to take additional steps to help people during the transition period of moving from the cold war into a whole new type of country.

In my State we are talking about timber workers but if you really want to describe my State, the B–2 bomber is also a significant factor there so we will be hit by a number of areas just as your State will.

As the chairman so well pointed out, this does not cover everything. It is a small step and a small program.

Mr. ANDREWS. In the chairman's opening statement he says, "About three-fourths of displaced workers with firm job attachments were reemployed by January and about three-fifths were earning as much or more than they did before their displacement." That is pretty optimistic, it seems to me. Is the problem as severe as would be suggested by your testimony?

Senator ADAMS. Yes, it is. We are grateful for the fact that in certain parts of this swiss-cheese economy we have in the United States, people request to be employed and sometimes at the same amount of money. What is targeted here are communities where it doesn't happen. I will give an example in the State of Washington, the communities impacted by the timber shortage are very small towns scattered along the coast with people who have no other job skills and very often have no ability to either sell their home or move out of the community.

You target to try to transition these people. You give the same opportunity to the Boeing worker who losses his job because the B–2 program is canceled but he has a better chance and his skills are transferable as the chairman mentioned. But a sawmill worker's skills are not as readily transferable. That is the kind of thing that is happening in West Virginia. So you have a carefully tailored small sized program to help these people. Now that will spread out in the country to other subsections within States.

Mr. ANDREWS. So what you are telling me is that we should do this kind of work for all workers, steel and autoworkers?

Senator ADAMS. We have a basic compensation program which we have tried to do for people throughout the whole country. This did assist a number of people for a period of time. What we are trying to do now is to build on that program as our country has become more complex and has had differing economic effects in different areas.

The committee has not tried to bite off the whole apple. That is what I think is so skillful. What we have limited it to is where there has been a Federal action that has caused the whole local problem. In other words where we cut off the timber supply, and we have tried as a State to shut off exports but that will not supply enough logging for these small towns, so they will fade down just like agricultural towns did. So we are trying to direct it toward that kind of problem.

Acting Chairman DOWNEY. Mr. Andrews, I would point out that the statistics that I cited in my opening comments are 5-year data. We do not know how long people are unemployed prior to their re-

employment. We are asking CBO to provide additional information. So it is conceivable that while they found different jobs, they may have been out of work for a longer period of time.

Senator ADAMS. We hope what the chairman states will happen. There is not enough money in this program to take care of everybody who will be affected. What we are trying to do is transition people back into the economy as he stated.

Acting Chairman DOWNEY. I would like to have my colleagues finish asking questions of Senator Adams and then we will recess and vote.

Mr. Levin, and then Mrs. Johnson.

Mr. LEVIN. I have just a brief comment to welcome a good friend and a most capable Senator. I would just comment briefly, that if you look at the 300,000 a year laid off, permanently displaced and still unemployed, in many cases they were also displaced because of direct Federal policies. I think as all of us face this issue, we have to be sure that we are making distinctions based on different and legitimate policy circumstances.

There are tens of thousands of people laid off throughout this country because of trade policies, Federal trade policies or the lack thereof. As we address these needs—and I admire you for doing so and we must—we also have to look at other people who are in the same boat, but are still left without a paddle.

Thank you.

Acting Chairman DOWNEY. Mr. Shaw.

Mr. SHAW. I would like to follow up if I could on a comment that you made a while ago. That is the question or the issue of displaced workers. I want the record to reflect that the number of displaced workers has actually declined by 15 percent.

Senator Adams, you stated in your testimony that it is your intention to file similar legislation on the other side. Is it your intention our your desire to increase the base of taxable income of the employee paid by the employer beyond the $7,000 limit as Mr. Downey has indicated?

Senator ADAMS. I will discuss that with Representative Downey. There are two pieces to your package. As I understand it he wanted to limit this hearing to the second part which is the extension of two-tenths of 1 percent and not the $7,000 or $8,000 or $9,000 base which is the first bill.

That I will discuss with him after you have finished you deliberations and more of your mark up. The $7,000 or $8,000 or $9,000 covers one part of the package which is the extension and the two-tenths of 1 percent covers the other part of the package which is what we are discussing this morning.

Mr. SHAW. Which is very limited and covers few employees from a nationwide standpoint. You indicated in your testimony that you feel that it is necessary for us to extend coverage far beyond that group of workers. So it would extend to the steel or autoworker who has been displaced. But the question is: what tax would you propose in order to pay for that extended program?

Senator ADAMS. I would start with this first program, pass it and begin to take care of the first group of people and then go to the next step and match off your revenues, whether you want to use a regressive tax base or an extension on the base to which you are

applying the tax, that is something we should face after the first program is in place.

I believe you do better on Federal programs on Federal changes if you take them a step at a time rather than starting at the top and maybe perhaps not doing all the things you wanted. That is what I think is the magic of the program he has suggested.

Mr. SHAW. Senator, do you know the cost of the program that we are talking about today?

Senator ADAMS. Yes, I know the cost of the program.

Mr. SHAW. CBO has told us they cannot determine it.

Senator ADAMS. It is my understanding that Mr. Downey has suggested certain caps on this program which takes care of that problem.

Mr. SHAW. It limits it but I don't think anybody on this committee, including staff, can tell us with any precision how many people will be in it or how much it will cost.

Acting Chairman DOWNEY. If the gentleman will yield.

The program will have as much money to spend as the two-tenths of 1 percent raises. It is incorrect to State that we don't know what the total cost is. We don't know what the total cost is if we covered all the workers. We are suggesting that the two-tenths of 1 percent will raise us $5 or $6 billion over a period of time.

That is the pool of money that we will use to cover the workers who are eligible on a first come, first serve basis.

Mr. SHAW. So this cannot be defined as an entitlement program?

Acting Chairman DOWNEY. That is right. It is not an entitlement program.

Mr. CHANDLER. If you will yield.

Senator Adams, I want to compliment you on your statement this morning. I have had the pleasure of working with you on this very difficult problem. I appreciate your leadership. I think you are a compassionate individual and what you are doing is aimed at the problem.

We may differ on how we go about it but that is a difference of opinion. The difference in our view of what the administration in Washington State believes about the Downey-Stark amendment came about in a meeting last Friday. Mrs. Unsoeld was there and so was Mr. Dicks.

I asked Commissioner Isiah Turner if he thought that the Downey-Stark proposal was the answer. His response was, "No," he didn't believe that it was. That is what I am referring to.

Senator ADAMS. He testified on Monday. That is why I am going to put the testimony in the record and the others who were there will also echo that statement. There are two parts of the Washington State problem. I don't want to burden the committee with that but part is to supply jobs, timber and so on. But the second part which Representative Unsoeld and Representative Dicks will be telling you about, that is to take care of the people who are there while we are trying to handle the other major Federal program.

Too often in this country we forget about the people who are just there. We have been through this before with our workers as Mr. Levin has. It certainly does help if we can get a little protection.

Mr. SHAW. Mr. Chairman, if I may make a final comment, I think what we are looking at is giving the good people of the State

of Washington false hope. We are offering a small amount of money for a growing problem all across the country. If you take these benefits and extend them, you are making that pool of people even smaller. To extend unemployment from the additional 6 months all the way up to a year I think will increase the problem of unemployment rather than solve the problem.

Senator ADAMS. Mr. Shaw, it sure helped us before.

Acting Chairman DOWNEY. Thank you Senator Adams. The subcommittee will recess for 10 minutes.

[Recess.]

Acting Chairman DOWNEY. The subcommittee will come to order.

We will next hear from our colleagues in order of their seniority. The gentleman from Washington will be first. The gentleman from Connecticut, second; the gentleman from West Virginia third, and the gentlewoman from Washington shall be fourth.

STATEMENT OF HON. NORMAN D. DICKS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF WASHINGTON

Mr. DICKS. Mr. Chairman, I want to first of all thank the committee for holding this hearing.

The subcommittee today is considering a measure that recognizes the need to put a human perspective on some major policy decisions that are being made by the Federal Government. This is a time, Mr. Chairman, when the dramatically reduced level of tension worldwide has given us an enormous opportunity for peace, but it is also an opportunity that will be accompanied by profound economic shifts, most noticeable in communities with large proportions of defense spending.

This is a time when the initiative and the resources of the Federal Government are clearly required—when the economic shifts caused by Federal decisions demand Federal assistance to help adjust to the changed circumstances.

Senator Adams already mentioned the problems we had in the early 1970's. This committee responded three times with extensions of unemployment compensation benefits. I can tell you, those workers say we don't want unemployment, we want work. But when their unemployment benefits ran out and they could not feed their families, they not only took the extended benefits, they also went to the food banks and they were thankful for all the assistance this committee gave them.

From our perspective in the State of Washington, we see the potential impacts to be in two major areas: defense—both private industry cutbacks and force structure realignments. I would say to the chairman, one of the experts in the House on defense issues, don't just focus in on base closures. You will also have certain times when a base does not close but they take a division away, and that has a major impact.

The wood products industry decline is being anticipated.

Washington State's defense industry adds $6 billion to $7 billion annually to the statewide economy. The Congressional Budget Office recently calculated that 9.7 percent of the "gross State product" was attributable to defense spending. This money comes in the form of salaries at the State's 10 major defense installations; mili-

tary construction spending at those bases; prime contracts and subcontracts from Defense Department; and, of course, retirement benefits.

In my district alone, defense spending amounts to between 15 and 35 percent of personal income. Obviously, when we are anticipating the kinds of deep cuts in defense spending that are included, for example, in this year's House budget resolution, we are facing some very serious economic impacts.

In fact, we have already seen some major cutbacks: a brigade was reduced at Fort Lewis last year; the 9th Division there is being deactivated. In addition, a squadron of C–130 aircraft has already been removed from McChord Air Force Base. Other major reductions could occur at these bases, and there is also significant impact associated with the loss of defense contracts at Boeing and other regional defense contractors. It has been estimated that there are 10,000 people at the Boeing company working on the B–2 aircraft. Given the uncertainty over that program here in Congress, we are facing some serious impact on this one program alone.

The other major impact in our State is the expected decline of the timber industry and related wood products employment. Largely associated with the Federal Government's protection plan for the northern spotted owl, our region is preparing for the loss of in excess of 25,000 jobs—some industry sources take that all the way up to 100,000—many of which will occur in timber-dependent communities in which few alternate employment opportunities exist.

This is out in Forks, Humptulips, Darrington, and areas in our State where you don't have other employment opportunities. How do you help someone who has just lost a sawmill job in the town where the major employer was the sawmill? He sees the Federal decision that took his jobs and feels like a victim.

We are asking for Federal recognition of the human side of this economic shift. We are asking for recognition of the Federal Government's responsibility to leave these communities with some hope after the jobs go away. Whether it is the closure of a sawmill, the shutdown of an auto plant, the elimination of a large defense contract, there are clearly human impacts that will occur, and I believe there is clearly a fundamental Federal responsibility to respond to their needs.

The language of the Downey-Stark amendment does target workers in these industries, utilizing benefits similar to those of the trade adjustment assistance program. I have some firsthand knowledge of that program, Mr. Chairman, because trade adjustment assistance was vital to the workers who were laid off at a major employer, the Asarco Tacoma Smelter, in my congressional district in 1986. The worker reemployment program that we designed in response to the projected layoffs succeeded—in fact, GAO called it one of the finest reemployment programs—because it targeted individual workers' circumstances and addressed their problems, their skills and their intentions.

The Tacoma program involved representatives from the Department of Labor, the State's department of employment security, the local private industry councils and local government. And it succeeded because it was a cooperative effort, and because the Federal Government was a willing and active partner. Benefits were pro-

vided to workers, of course, but there was a concerted effort to find out what was best for each individual worker, what education or training they need and what personal circumstances apply in each case.

Just as in the Downey-Stark amendment, job search allowances and relocation benefits were combined with the traditional unemployment benefits. And nearly all of the workers who sought to continue with the workforce found new employment. Today in Washington State we need a similarly active partner in these efforts. The task is even greater because the alternative employment opportunities—particularly in the timber-dependent communities—are not as available.

This committee is to be applauded for its determination and for its foresight. At a time when the cynics would stand back in defeatism and watch the good paying jobs dissolve because of Federal actions, Congressman Downey and Congressman Stark and members of this subcommittee have stepped up to the challenge.

The need is there; the need for compassionate action to address the negative side of the defense budget reductions and the spotted owl protection plan. Thank you for recognizing that need, and for playing a constructive role in the lives of thousands of people and their families in Washington State.

The Governor of our State supports this program. Isiah Turner, whom I have been working with to design a Federal response to the spotted owl program, supports this program. I don't know whether there was any confusion about that. He has been back here. He has met with me directly and testified to that effect. We need this very desperately.

Acting Chairman DOWNEY. Thank you, Mr. Dicks.

[The statement of Mr. Dicks follows:]

Remarks of
CONGRESSMAN NORM DICKS
Subcommittee on Human Resources
House Ways & Means Committee
August 1, 1990

MR. CHAIRMAN. This Subcommittee is today considering a measure that recognizes the need to put a HUMAN perspective on some major public policy decisions that are being made by the federal government. This is a time, Mr. Chairman, when the dramatically reduced level of tension worldwide has given us an enormous opportunity for peace, but it is also an opportunity that will be accompanied by profound economic shifts, most noticeable in communities with large proportions of defense spending. This is a time when the initiative and the resources of the federal government are clearly required...when the economic shifts caused by federal decisions demand federal assistance to help adjust to the changed circumstances.

I come to this hearing with some history on this issue. One of the most important issues I handled as a staff member to the late Senator Warren G. Magnuson in the early 1970s was the federal response to the massive Boeing Company layoffs in the Puget Sound area. With 50,000 to 60,000 engineering and technical people on the streets of Seattle looking for work, there was an urgent situation. (You may remember the billboard "Will the last one out of Seattle Please turn out the lights?") Unemployment benefits were essential, but they ran out quickly..long before many thousands could find new jobs. The congressional delegation intervened to secure three extensions of unemployment benefits, NOT as a welfare program, but because honest, hard working and diligent people simply could not find new employment--the jobs were just not there. This is the whole idea behind the unemployment insurance program, and as this committee contemplates the job losses that will likely occur because of federal actions in the years ahead, I believe it is going to be absolutely essential to authorize, as the Stark-Downey language does, the provision of extended unemployment benefits.

From our perspective in the State of Washington, we see the potential impacts to be in two major areas: defense--both private industry cutbacks and force structure realignments--and the wood products industry decline that is being anticipated.

Washington State's defense industry adds $6 billion to $7 billion annually to the statewide economy. The Congressional Budget Office recently calculated that 9.7 percent of the "Gross State Product" was attributable to defense spending. This money comes in the form of salaries at the state's ten major defense installations; military construction spending at those bases; prime contracts and subcontracts from Defense Department; and, of course, retirement benefits. In my District alone, defense spending amounts to between 15 and 35 percent of personal income. Obviously, when we are anticipating the kinds of deep cuts in defense spending that are included, for example, in this year's House budget resolution, we are facing some very serious economic impacts. In fact, we have already seen some major cutbacks: a brigade was reduced at Fort Lewis last year; the 9th Division there is being deactivated. In addition, a squadron of C-130 aircraft has already been removed from McChord Air Force base. Other major reductions could occur at these bases, and there is also significant impact associated with the loss of defense contracts at Boeing and other regional defense contractor. It has been estimated that there are 10,000 people at the Boeing company working on the B-2 aircraft. Given the uncertainty over that program here in Congress, we are facing some serious impact on this one program alone.

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Spotted Owl decision. We face a tough task: How do you help someone who has just lost a sawmill job in a town where the major employer was the sawmill. He sees the federal decision that took his job and feels like he's become a victim.

What we are doing today is asking for federal recognition of the HUMAN side of the this economic shift. What we are asking is for recognition of the federal government's responsibility to leave these communities with some hope after the jobs go away. Whether it is the closure of a sawmill, the shutdown of an auto plant, the elimination of a large defense contract, there are clearly human impacts that will occur, and I believe there is clearly a fundamental federal responsibility to respond to their needs. The language of the Downey Stark amendment does target workers in these industries, utilizing benefits similar to those of the trade adjustment assistance program. I have some first-hand knowledge of that program, Mr. Chairman, because Trade Adjustment Assistance was vital to the workers who were laid off at a major employer, the Asarco Tacoma Smelter, in my congressional district in 1986. The worker re-employment program that we designed in response to the projected layoffs succeeded--in fact GAO called it one of the finest re-employment programs--because it targeted individual workers' circumstances and addressed their problems, their skills and their intentions. The Tacoma program involved representatives from the Department of Labor, the State's Department of Employment Security, the local Private Industry Councils and local government. And it succeeded because it was a cooperative effort, and because the federal government was a willing and active partner. Benefits were provided to workers, of course, but there was a concerted effort to find out what was best for each individual worker, what education or training they need and what personal circumstances apply in each case. Just as in the Downey-Stark amendment, job search allowances and relocation benefits were combined with the traditional unemployment benefits. And nearly all of the workers who sought to continue with the workforce found new employment. Today in Washington State we need a similarly-active partner in these efforts. The task is even greater because the alternative employment opportunities--particularly in the timber dependent communities--are not as available.

This committee is to be applauded for its determination and for its foresight. At a time when the cynics would stand back in defeatism and watch the good paying jobs dissolve because of federal actions, Congressman Downey and Congressman Stark and members of this subcommittee have stepped up to the challenge. The need is there...the need for compassionate action to address the negative side of the defense budget reductions and the spotted owl protection plan. Thank you for recognizing that need, and for playing a constructive role in the lives of thousands of people and their families in Washington State.

Acting Chairman DOWNEY. Mr. Gejdenson.

STATEMENT OF HON. SAM GEJDENSON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CONNECTICUT

Mr. GEJDENSON. Thank you very much.

This is not the first time the Government has responded to this kind of crisis. It is a failure I think in our system that we have traditionally not, as the Japanese and others have done, provided a mechanism to ease transition through the economy. It is important for a number of reasons.

One, anybody who thinks that you are going to save money if you defeat the Downey bill has never looked at what happens in an economic spindown. If your legislation does not pass, along with the legislation that Majority Leader Gephardt, I, and a few others have worked on, which will complement this legislation, the price tag will be much higher.

You won't be focusing on woodworkers or defense workers, you will be focusing on entire economies in regions of this country that have spun down, and then the ladies and gentlemen on this committee will come back and you will not need a specific solution for one area like the Trade Adjustment Assistance Act, which would have helped steelworkers in Houston as well as in Washington State, you will be able to have one solution for the entire country, which will be sitting in unemployment rates that we have not seen for decades.

So the question for us is not do you not pass Downey and somehow save money; the question is, can we prevent a far more cataclysmic economic situation from occurring. The question is do we move today. It is not whether the free market ought to have a chance to reign.

If I make products sold in any local district store and I am losing market share, if I want to stay in business as a manufacturer and a union wants to stay in business, we may have to drop the price of our product. We may have to try to entice people to buy our product by lower prices, by wage give-backs.

That does not work here, because the action of the U.S. Congress has rightly recognized the change in the world and no matter what the manufacturers do, you are not going to sell these missiles and offensive systems in an international marketplace. The markets disappear the day the Congress decides in its budget action, when the Secretary of Defense is dropping a missile system, or we are changing environmental policy that affects either our friends in the coal or wood industries.

This has happened before. When one of our colleagues, Phil Burton, saved the redwood stands in California, and I invite the committee to examine his proposal, it makes the chairman's proposal look like a small pittance of what the Burton proposal did. It was before I was in Congress, but not only did it pay full salaries until the retirement age of the redwood workers, it also paid State and local taxes they would have paid on their incomes. It cited that because this was a Government action, that the Government had responsibility here.

Mr. DICKS. Chairman Downey wants to see that proposal.

Mr. GEJDENSON. The choice is not whether or not there will be a Federal response. The day the Government decides not to buy tanks we know what day that factory will be empty. The choice for us in this Congress is to sit by imagining that somehow this will rectify itself and do nothing, and that will mean that 6 months or 1 year from now when the last tank is made, the tank factory unemploys 1,000 people in the community and there is the spindown. We will get unemployment high enough so we don't need your program. We will get it high enough so that normal triggers for extended benefits will come back into play.

So we can provide, through this and the proposals that we have with the majority leader to entice industries into alternative areas, the breathing room to give workers the chance to keep their homes and families together.

That is the simple choice for us. If we take no action, we will pay increased welfare, increased unemployment, and the economic impact on our communities will be astronomical. We have done this for redwood workers, for steelworkers in the Trade Adjustment Act, in my district as in other Members' districts, where workers are entitled to additional assistance for a specific reason.

It is not failure of workers to be productive. It is not bad management. It is the fact that a Government decision has ended a production line and a work force. We have some responsibilities to mitigate the damage to those individuals, not simply leave them twisting in the wind. We have some responsibility for the economy.

One of the reasons the Japanese economy is able to go through the transitions as smoothly as it has is that workers understand they won't be left behind when change occurs in the economy. We ought not leave as the only option for workers to somehow hang on and try to keep products that no longer make sense or activities that are damaging to our environment to continue. We need to give them a rational alternative that helps them, helps their economy and helps the communities.

Again I commend the chairman for what is a vital piece of legislation. If there is any criticism from this member it is that you ought to do more, but you ought not use that as an excuse for not doing anything.

Thank you, Mr. Chairman.

[The statement of Mr. Gejdenson follows:]

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2D DISTRICT
CONNECTICUT

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SUBCOMMITTEE ON INTERNATIONAL
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STATEMENT OF THE HONORABLE SAM GEJDENSON

SUBCOMMITTEES ON HEALTH AND HUMAN RESOURCES

OF THE HOUSE COMMITTEE ON WAYS AND MEANS

AUGUST 1, 1990

Mr. Chairman, thank you for the opportunity to testify today. Throughout most of my tenure in the Congress, a few lone voices warned of the need for programs to assist defense dependent areas with the transition to lower levels of defense spending. At the height of the 1980's defense build-up, the handwriting was on the wall: what goes up, must come down. The truth of this maxim is evident today, as both the Congress and the Administration contemplate and scrutinize the impact of a 25% reduction in the defense budget over the next five years.

Defense adjustment is a matter of deepest concern not only to my district, but to others like it across the nation. These workers and communities have dedicated their labor and capital to defense production, and often this specialization has had the effect of squeezing other industries out of the area. We cannot afford to leave these workers and their families high and dry when their skills are no longer needed in defense production. The highly skilled employees of the defense industry represent a valuable national resource, and our nation as a whole has an interest in designing an orderly transition by which defense dependent communities and industries can diversify into civilian, commercial work. However, defense reductions are occurring with intensifying speed, and where new industries have not yet taken root, workers may face extended periods of unemployment due to a lack of available jobs locally.

In my view, there are several important components to the process of successful economic adjustment to defense reductions. Within this committee's jurisdiction, income maintenance in the form of extended unemployment compensation will provide economic stability for the skilled men and women whose jobs are lost as the military threat to our nation diminishes. Continued health insurance is of vital importance as well, because as we all know, the high costs of health care mean that a single, unanticipated health emergency can sink a family on a tight budget.

I support this committee's efforts to provide additional unemployment compensation eligibility to workers whose jobs are lost as a result of the decline in defense spending. These men and women are the veterans of the Cold War, and because they have dedicated their skills to a unique demand to produce government-specified defense technologies, we have a special responsibility to provide them with the assistance they need in the transition to new employment. I urge the committee's approval of an unemployment compensation extension for these workers.

I am also supportive of the committee's proposals to provide continued health insurance for dislocated workers. Such assistance could include an extension of COBRA benefits, and a Medicare buy-in provision. The costs of such benefits are modest compared to the value they will provide for dislocated workers and their families.

I believe that these provisions represent a thorough and balanced approach to the economic needs of our nation, its defense dependent communities, and its workforce.

Thank you, Mr. Chairman.

Acting Chairman DOWNEY. Thank you.
The gentleman from West Virginia.

STATEMENT OF HON. ROBERT E. WISE, JR., A REPRESENTATIVE IN CONGRESS FROM THE STATE OF WEST VIRGINIA

Mr. WISE. I will submit my statement for the record and then share some thoughts.

I want to express my appreciation to the chairman. The opening salvos were fired on the House floor a few weeks ago in the amendment to the Clean Air Act and the chairman was one of the instrumental people in moving it, proposing it and making it happen. That measure, which is in conference right now, is far less sweeping in many ways than what is before us. But I think it is important, because it does start the discussion.

The amendment to the Clean Air Act provided 6 additional months of unemployment benefits assuming somebody was in a dislocated workers program. Make no mistake, I think hundreds of thousands of jobs are going to be lost because of direct governmental decisions in the next few years. Those decisions have to be made. Nobody is saying they should not, but it will cost hundreds of thousands of jobs.

Take Clean Air, EPA says 5,000 lost jobs starting up in the high sulfur coal fields. Then you extrapolate out to the aluminum, chemical, aerospace industries. Dry cleaners will have to accommodate to the new regulations. Take the defense cuts. I had the chance to visit a B–2 plant recently. Some 15,000 people will be out on the street if the action of the Armed Services Committee works its way through the process.

So it goes. Redwood, logging, the spotted owl. There is other legislation coming down the pike. I predict within 5 years this Congress will pass sweeping legislation dealing with global climate change. Everybody emits CO_2, oil, coal, natural gas, whatever. So once again that will have great ramifications, so when a worker loses a job to B–2 or CO_2, it doesn't matter.

The fact is hundreds of thousands of people will be out on the street. The question is whether we adjust to it. Has there been precedent? Of course. That is what the trade adjustment assistance program has been about for years. It targets a specific group of workers who have been dislocated because of imports. It is meager and you have to jump through hoops to get it, but it provides the same benefits that the House adopted a few weeks ago in the Clean Air Act: 6 months of additional unemployment benefits if you are in a certified training program. It provides also for relocation expenses.

So talk about the situation, the loggers there, several years ago, talk about Conrail, there are specific situations. Certainly when Government by its direct action has forced this kind of situation, we have an obligation.

Now why the Downey-Stark legislation? Why do you need an additional 6 months of unemployment insurance if you already have a dislocated workers program, which we do, at least on the books, and you can get up to 2 years of training under JTPA.

In West Virginia people cannot afford to go to school to get the training because if you have to give up making any kind of income while you have a wife and children to support, while you are desperately trying to pay that medical insurance—I don't know about you, but the thing that scares me most about unemployment is losing health insurance. If you don't have that, you cannot go to school.

So I look steel and chemical workers in the face who tell me, Bob, thanks a lot for JTPA, but I cannot afford to go to school in order to qualify for those benefits. So you have the supplement that permits them to be in school, and 6 months is not much, but the supplement will permit them to go to school.

The deficit, we are all concerned, but I know the deficit for my community of having this unemployment without any hope, it is greater service, greater police and greater welfare costs, lost tax revenue, food stamps, you name it. When you take people from $12 an hour jobs and expect them to gut it out on $4 and $5 an hour jobs and think there is not going to be an impact either on the deficit or your communities, you are sadly mistaken.

The basic philosophy is: If the Government puts me out of work by the Government decision, it seems to me the Government has a role to play in helping me make the transition. If the Government runs a road through my house and dislocates me, they have an obligation to help me make that transition. If you are running a road through my house, it is not much different than running a law through my life. I think you should be helping people make those adjustments.

[The statement of Mr. Wise follows:]

BOB WISE
3RD DISTRICT, WEST VIRGINIA

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COMMITTEE ON THE BUDGET
SELECT COMMITTEE ON AGING
GOVERNMENT OPERATIONS
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STATEMENT OF CONGRESSMAN BOB WISE
OF WEST VIRGINIA
BEFORE
THE SUBCOMMITTEES ON HEALTH AND HUMAN RESOURCES
OF THE HOUSE WAYS AND MEANS COMMITTEE

AUGUST 1, 1990

Mr. Chairman, Members of the Committee, I want to thank you for the opportunity to testify before you today. I want to take this opportunity to express my support for the concept of transition assistance for displaced workers as embodied in the Downey-Stark Amendment to H.R.3896, the Unemployment Compensation Reform Act of 1990.

American workers from many industries in many regions are now faced with the possibility of dislocation because of new policy initiatives in both the foreign and domestic spheres. As you know, the constituents in my district are not the only working Americans confronted with this threat to their employment security. The other Members on this panel have highlighted the need for transition assistance for their constituents in the defense and timber industries. I support the efforts of this Committee to address that need by proposing extended unemployment benefits and retraining for those dislocated workers.

I have been most concerned about the displacement of American workers in the context of the comprehensive Clean Air Act Amendments which Congress will pass this session. In the last 20 years we have seen significant improvement in our nation's air quality due to the standards and requirements in Clean Air Act. The Act has served as a model for effective environmental legislation. We last amended the Clean Air Act in 1977, and in the subsequent years we have recognized the need once again to strengthen provisions of the Act, to address new air pollution problems and to set new air quality targets.

I have always supported the effort to revise the Clean Air Act and I have been working actively with many Members to try to ensure a sense of fairness and equity in the process. In this context I have been guided by three basic principles: first, to provide an effective and workable system for reducing harmful air pollution; second, to distribute the pollution reductions fairly and equitably; and third, to minimize to the greatest practical extent the disruption of industry and the resulting job dislocations.

I must commend the Committees and the leadership in both the House and Senate for their valiant efforts in forging the clean air compromise. However, this compromise will still leave many industries in a position to cut costs, and in many cases that would mean the loss of jobs in those industries.

If one examines the House and Senate clean air bills title-by-title one can see which industries will be most affected. The new restrictions on emissions from mobile sources will affect the automobile industry and the related automobile service industries. The revision of standards for hazardous air pollutants will most affect the chemical manufacturing and petrochemical industries as well as the heavy industrial sector.

The new acid rain title will likely disrupt the high-sulfur coal industry and will also cause increases in electricity rates, which will affect the utility industry itself as well as power-intensive industries such as aerospace, aluminum, steel and textiles.

In the long term, the Clean Air Act Amendments will save our nation money not only by reducing the health costs associated with air pollution but also by stimulating innovation related to pollution control. In the short term, however, this legislation will subject many industries in many regions to increased costs, and this may cost many workers their jobs. I believe the Congress should bear the responsibility not only to protect Americans from air pollution but also to provide American workers with the means necessary to enable them to make the transition to new employment if they find themselves displaced because of the new Clean Air Act.

To address this need I introduced an amendment to the House clean air bill for consideration on the House Floor. This amendment establishes the Clean Air Employment Transition Assistance program, which will help American workers make the shift to new employment if they find themselves displaced because of the effect of the new Clean Air Act Amendments. This program is modeled after the existing Trade Adjustment Assistance program and will provide retraining opportunities and limited additional cash benefits to workers in transition.

Thanks to the active and enthusiastic support of Members such as yourself, Mr. Chairman, this worker transition amendment to the House clean air bill passed the House during consideration of the entire clean air package on May 23rd of this year. Currently I am working with other Members on the House-Senate conference to ensure that the worker transition amendment remains in the final bill which is sent to the President for his signature.

A close look at the worker transition amendment to the Clean Air Act reveals a striking similarity to the Downey-Stark Amendment to H.R.3896, although the latter is broader in scope and application. Both provisions offer similar benefits to dislocated workers using the framework of an existing retraining program which has proven very successful: the Trade Adjustment Assistance program.

If enacted in its current form, the Clean Air Employment Transition Assistance program will operate as follows:

* Affected workers must apply to the Secretary of Labor (through state employment offices) to be certified as eligible for benefits and retraining. All workers are potentially eligible, including but not limited to aerospace, aluminum, automobile, chemical, coal, petrochemical, steel, textile and utility workers.

* In order to meet eligibility requirements, workers must demonstrate that the new requirements under the Clean Air Act were an "important contributing factor" in causing job displacement.

* Once certified as eligible, workers could be provided with six extra months of unemployment benefits, called Clean Air Employment Transition Allowances (CAETA). These CAETA benefits would be in addition to the six months of federal Unemployment Insurance to which workers are legally entitled. The weekly benefit amount would differ according to each state's statutory limit.

* Eligible workers would be required to enter a retraining program in order to receive the CAETA benefits. Such retraining would be provided under current guidelines set forth in the Job Training Partnership Act.

* In limited circumstances, workers could be provided with job search expenses and relocation expenses.

* A GAO study of the employment effects of the Clean Air Act Amendments is commissioned to provide a database of job displacements caused by the new requirements.

* The Clean Air Employment Transition Assistance program is authorized for five years only (fiscal years 1992 to 1996) and a total of $250 million is authorized for both the income maintenance and retraining portions of the program.

In contrast with the Downey-Stark Amendment, the Clean Air Act worker transition amendment does not create an entitlement or mandatory program. Funding for the program is entirely subject to yearly appropriations from Congress. In addition, this program is not created by means of a new statute or a new regulatory framework. The amendment in the Clean Air Act amends two existing statutes (the Federal-State Extended Unemployment Compensation Act of 1970 and the Job Training Partnership Act) using existing language from the Trade Adjustment Assistance program in the Trade Act.

By relieving the fear American workers may feel because of the potential effects of the new Clean Air Act, this worker transition program provides the needed insurance to enable all of us to support clean air and the Clean Air Act Amendments. Similarly, in the context of defense readjustment and the protection of old-growth forests, this type of worker transition program is necessary not only as sound social policy but also to engender greater support for the policy initiatives which cause worker displacement. For these reasons I wholeheartedly support the Downey-Stark Amendment, which is a fair and modest approach to helping American workers make the transition to new employment.

Mr. Chairman, Members of the Committee, I want to thank you once again for this opportunity to testify before you.

Acting Chairman DOWNEY. Thank you.
Mrs. Unsoeld.

STATEMENT OF HON. JOLENE UNSOELD, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF WASHINGTON

Mrs. UNSOELD. Thank you, Mr. Chairman.

I commend you and Mr. Stark for offering this amendment and very much support you.

There is no single piece that is going to be the total answer but this is an important piece, when it is the restriction of log exports, that is not the answer, extension of unemployment compensation is not the answer, but all of those pieces are necessary to make a total package.

We in the delegation are doing our utmost to protect every single job that we can. But local officials tell us, and the State has come up with some alarming statistics, we already have an unemployment rate that has been influenced by these Federal actions. This ranges now from 4½ percent to as much as 18.8 percent. It is projected as a result of this Federal action coming up, that the range will be from 4½ to 33 percent unemployment.

This legislation you have proposed is not a handout, not a throwing in the towel. It is a leg up for hard working, proud, independent Americans so they can stay on their feet.

The other beauty to what you have done is that it is a pay-as-you-go program. And no more deficit financing for the needs of these communities and these hard working Americans.

Thank you.

Acting Chairman DOWNEY. I want to thank all of the House Members for their testimony.

Correctly, you have identified the fact that we need to do more. But we also need to take a first step. That is what this is all about.

Specifically, to my colleagues from Washington who are going to get a double hit as far as we are concerned: whatever the outcome for the B–2 or the spotted owl or other programs, you will end up in a situation where there will be more people unemployed than you want to see unemployed.

The Chair will recognize Mr. Moody first.

Mr. MOODY. I have a question of the Chair or anyone, does the benefit go to someone who is not a directly laid off worker, but who is laid off because the worker was laid off, like the grocer in a small town predominated by defense systems?

Acting Chairman DOWNEY. No. Trade adjustment assistance does not cover that. The Secretary determines the working class "contributed importantly." That is the criteria.

Mr. MOODY. The general issue I want to raise with my colleagues is the question of the regional impacts. We were not in on the party of big deficits. We were not at the table when all this money was spent and your areas were booming. My State was being hurt by Federal trade and spending policies.

I simply reject the notion that if you only are laid off as a result of Government action, a worker could claim these extra benefits. What about actions taken by the Reagan administration in the last 8 years which must have displaced many workers.

Mr. GEJDENSON. Trade is covered presently under the Trade Assistance Act.

Mr. MOODY. I will yield to my colleague from Michigan who has the details on the Trade Assistance Act. We are talking about new and longer benefits; right?

Mr. GEJDENSON. I would say that in my district, where workers at American Standard were laid off because of foreign imports, we were able to provide them significant assistance, education, health care, and training. I think it is a mistake to use as an argument that other programs are not adequate as the reason for not stepping forward here.

The dairy program in Wisconsin probably does not affect people in New York City, but that is not an argument in the strict sense for ending all the dairy programs.

You are right. Some of the subsidies for agriculture helped our friends in Wisconsin more than other places but some of us still support those programs because they make sense. I think the same goes for this.

Mr. MOODY. The present dairy programs do not help Wisconsin. They help States far away from Wisconsin because of the way the price marketing orders are structured. That is not a good example.

It certainly doesn't help the displaced workers who lose jobs in Milwaukee and Detroit. I think we are looking at invalid comparisons: 25,000 people affected by TAA.

Mr. DICKS. I would suggest to the gentleman who serves on this important committee that if he is not satisfied with the trade adjustment assistance program that he ought to do something about it.

Mr. GEJDENSON. I think with the Trade Adjustment Assistance Act, the relationship to Government action is not crystal clear. If we had different trade negotiations, if we had a different situation with GATT and different dollar policies maybe these workers would not be displaced. But in this instance it is very clear. Government actions have comprehensive, not marginal, impact on the economic situation of the worker or the company.

There are insurance workers in Mrs. Kennelly's district who get laid off if this committee fiddles with the Tax Code but that is a marginal impact. Insurance is still a viable product. People still buy it.

On the other hand, when the Congress decides no new weapons systems, no trees to be harvested, then, bang, it is over.

Mr. MOODY. I guess the gentleman from Washington is insisting that I should not support this unless I can tack on the TAA amendments.

Mr. DICKS. If the problem is that we have not done enough in trade adjustment assistance, I would agree with him. I don't think we have done enough in trade adjustment assistance.

I would also make the point that it is a little more oblique in terms of the Federal Government's responsibility than when we pass an endangered species act that requires us to reduce harvesting by 50 percent in the Pacific Northwest. That is a direct result of congressional action.

Or if we pass a budget resolution that reduces deficit spending by $32 billion, that means workers all over the country are going to be

unemployed. That means the people who volunteered to serve our country in the military are going to lose their jobs. That is a direct Federal responsibility in our judgment.

I would be pleased to support the gentleman in correcting the deficiencies in the Trade Adjustment Act, but please don't use that as an excuse to walk away from Federal responsibilities that shuts down bases, kills defense contracts and puts people out of work because of environmental reasons.

Mr. MOODY. I reject the thesis that the only way the Government action lays people off is through the appropriations process.

Mr. GEJDENSON. Several years ago we passed plant closing legislation. We said private providers have a responsibility to notify workers in advance when they are closing plants.

We don't do that much for Federal workers. We don't provide them the basic information.

Again, if private employers have a responsibility, shouldn't the Government that is going to pay for the economic spindown have some responsibility?

Mr. MOODY. I think we should give the same notice, public or private.

Acting Chairman DOWNEY. Mrs. Johnson.

Mrs. JOHNSON. I am interested in the Marshal plan phrase that the Senator used. I have some interest in this issue myself. But I think we would make a grave error to focus on extended benefits for a selected group.

Now, this bill would raise $5 billion over 5 years. That is $1 billion a year for extended benefits or health coverage or retraining. We are currently spending $5 billion a year just for training programs for displaced workers and $17 billion a year for 45 training programs for which millions of Americans are eligible. So $1 billion a year for those three things is not going to be much.

I think we ought to refocus our attention looking at the existing unemployment compensation system where we provide the benefits so we don't need to deal with extended benefits. We provide COBRA health insurance coverage so we don't need Medicare and all the administrative cost that would entail. But we do an inadequate job of retraining and the kinds of subsidies for retraining that you refer to in your comments, Mr. Wise.

If we look at the real need for training, relocation and job search assistance in targeted groups where there has been a massive change and we give extra resources to existing programs that could be a much more fruitful approach. And we can disassociate unemployment compensation from the cost of skilled benefit training and get people training while they're receiving regular unemployment stipends.

The other thing that is a problem is COBRA benefits are not affordable to a lot of people. On an income-related basis, we can deal with this. But we will not have to provide Medicare coverage for the retired engineer whose wife may be making $1,000 a week, as Rod said earlier.

Mr. DICKS. I thought those people had to sign up for the benefits. If the woman was making $100,000, that unemployed worker would not sign up for the benefits.

Acting Chairman DOWNEY. If the unemployed worker has a spouse that has health coverage, that coverage is deemed for that family. You are not spending health benefits to help people who don't need it.

Mrs. JOHNSON. We are well beyond the point where we can start a program for certain categories of workers. Look at the people who are going to lose their jobs if we eliminate the sugar or honey program.

Mr. GEJDENSON. We often provide transitions for all those people.

You used an interesting phrase at the beginning of your statement, the Marshall plan. We talk about the peace dividend, the peace dividend is unemployment out the door on your fanny. We ought to help these workers go through a transition.

While no program is perfect, the lack of perfection in a program ought not be used to argue against this very needed proposal by the chairman.

Mrs. JOHNSON. This program is focusing on extension of what is misery. Let's get with the program. Let's look at retraining at day one. Let's look at relocation immediately. Let's not look at extended benefits. Let's put that kind of attention into making our current unemployment compensation program and our current COBRA program and our current retraining program work.

I think this bill brings up some valuable subjects and things that need attention. I personally don't want to see us create inequities in our unemployment system. I certainly would regret focusing money on the out-months when we could focus on the in-months.

Mr. CHANDLER. I would like to ask a couple of quick questions of my colleagues from the State, especially Norm. Is this bill our delegations' response? Has this been discussed? Have we as a task force decided to support this bill?

Mr. DICKS. Let me answer that question.

We have discussed, I think, a whole variety of ways of trying to respond to the crisis. Initially we were saying let's try to use existing Federal and State programs to the extent possible in order to deal with the situation that we are faced with. Then all of a sudden, I was unaware of this; Congressman Downey and Congressman Stark made this proposal.

I reflected back upon the days when I was Warren Magnuson's administrative assistant and how we extended unemployment three times and how it helped save people in Seattle, and King County.

It seems to me this was something that was a complement to what we were trying to do and, therefore, we ought to give it serious consideration.

Mr. CHANDLER. We have limited time.

I wanted to establish that this was not something that was ever discussed in the delegation.

Mr. DICKS. We had talked about trying to do something for unemployed workers. We had not said specifically this or that. We were trying to figure out a way to deal with the problem.

Mr. CHANDLER. I understand that we are submitting testimony from Isiah Turner to the committee; correct?

Mr. DICKS. That is Senator Adams.

Mr. CHANDLER. I notified Commissioner Turner on Monday of the hearing and extended an invitation for him to testify. I have not received any testimony.

Mr. DICKS. This was apparently before Congressman Wyden's subcommittee on small business that held a hearing this Monday. He presented testimony there, I understand.

Mrs. KENNELLY. Could we clarify where we are, as you know we had a full committee hearing ready to markup this proposal just a week ago. We could not get the votes for this proposal.

Now, we are going this route with this hearing. I would say to the gentlelady from Connecticut, yes, you could always write a better program. But what are we going to say to workers who are already laid off? Are we going to tell them, we are working on a better proposal? We have this in front of us and we have to address it.

Mr. SHAW. If you would yield, I think you bring up a good point. This program is designed to cover certain groups of about 200,000 that fall under the classifications in the bill. What are we going to tell the next 200,000 or 400,000 or 500,000 or 600,000? What are we going to tell those workers in Washington and Michigan who are not getting additional coverage?

Mr. LEVIN. That is the point. Your answer is to cover none of them.

Mr. SHAW. I am saying leave the program alone at this particular point.

Mr. LEVIN. That means cover none of them.

Mr. SHAW. No, it doesn't mean that. They come under existing programs out there. It says we should not extend them up to a whole year on unemployment. You know as well as I do that if you tell someone they can receive unemployment benefits for a year they might take as much as a year to find another job.

Mr. DICKS. Those are not my workers. They want to work.

Acting Chairman DOWNEY. We will break for 10 minutes. When Mr. Stark arrives, he will begin with the administration witnesses.

[Recess.]

Chairman STARK. The hearing will continue.

Our next witnesses are from the administration, from the U.S. Department of Labor, James Van Erden, Administrator, Office of Work-Based Learning, Employment and Training Administration; and from the U.S. Department of Defense, Robert M. Rauner, Director, Office of Economic Adjustment, Office of Assistant Secretary of Defense for Force Management and Personnel; and from the U.S. Department of Health and Human Services, Louis B. Hays, Associate Administrator for Operations of the Health Care Financing Administration.

Gentlemen, without objection, your prepared testimony will appear in the record in its entirety.

You may proceed to expand on it, if you care to, summarize or use it in any manner that you are comfortable.

We will let you proceed in the order that you appear on the witness list.

Mr. Van Erden, welcome to the committee.

STATEMENT OF JAMES D. VAN ERDEN, ADMINISTRATOR, OFFICE OF WORK-BASED LEARNING, EMPLOYMENT AND TRAINING ADMINISTRATION, U.S. DEPARTMENT OF LABOR

Mr. VAN ERDEN. Thank you, Mr. Chairman.

I would like the full text of my testimony put into the record. I will try to summarize it.

I am James Van Erden, Administrator of the Office of Work-Based Learning. I am pleased to have this opportunity to testify before you on adjustment assistance to workers who are dislocated due to Federal defense and environmental legislation. My office has responsibility for administering two programs which assist dislocated workers, the Economic Dislocation and Worker Adjustment Assistance Act—EDWAA—title III of JTPA—and the trade adjustment assistance (TAA) program. Secretary Dole and Assistant Secretary Jones would like me to convey their strong commitment to assist workers who are displaced from their industries or occupations in making a rapid, effective adjustment to new employment.

The Department shares your concerns on the potential effects of these dislocations, and believes that the solutions will require a coordinated, cooperative approach involving local, State, Federal and private sector resources. Over the past few years, we have learned much about worker dislocations. Although the source of dislocations varies, the needs of the impacted workers, their families and their communities are very similar.

Mr. Chairman, you asked us to comment on the steps the Department is planning to take as a result of dislocations caused by Federal defense and environmental legislation. I would like to respond to your request by focusing on the EDWAA program.

We believe that the EDWAA program, combined with the unemployment insurance system, is the best means for responding to the retraining and related needs of disclosed workers, regardless of the cause of their dislocation. As you know, EDWAA was created when Congress substantially amended title III of the Job Training Partnership Act in the 1988 Trade Act. As a result of an extensive review of the needs of all dislocated workers, Congress and the administration agreed on this comprehensive new program, which began operation in July 1989.

Chairman STARK. Didn't your Department oppose our latest unemployment program?

Mr. VAN ERDEN. Which bill?

Chairman STARK. The unemployment insurance, bill H.R. 3896. You did oppose it, although. I thought I just heard you say that it was the best way to solve the problem. I wondered if the Department had a change of heart. Do you like the bill now?

Mr. VAN ERDEN. I am not sure what you are talking about, sir.

Chairman STARK. In the past, the Department of Labor has opposed our endemic programs for unemployment insurance. You opposed the last bill we put through. Today you just testified that you think that it is the best way to solve the problem.

Mr. VAN ERDEN. The existing unemployment insurance program in conjunction with the existing EDWAA program. We think that is the best way.

Chairman STARK. You endorse it.

Mr. VAN ERDEN. I endorse the existing unemployment insurance program and the existing EDWAA program.

Chairman STARK. That is different. I am glad to know you are flexible.

Mr. VAN ERDEN. We believe in the existing program, sir.

Let me now focus on the specific aspects of the existing program.

EDWAA is a flexible, comprehensive program for dislocated workers whose employment loss means they are unlikely to return to their previous industries or occupation. EDWAA is a State grant program with a local service delivery system. The Governor of each State is responsible for overall program administration, management, and targeting formula-disbursed funds to areas of major worker dislocations. Placing the primary responsibility for the program at the State and local levels allows for a more flexible, effective set of responses that are tailored to the needs of the local area.

Eighty percent of EDWAA funds are allocated to the States by formula, and the majority of these funds are distributed to the local level. The remaining 20 percent of EDWAA funds are reserved for the Secretary to use for special grants to States experiencing major worker displacements.

Eligibility for EDWAA is broad-based and easy to determine. It includes workers who have been or have received notice of such layoffs from their job and are unlikely to return to their previous industry or occupation; those affected by a plant closing or substantial layoff; the long-term unemployed who have limited opportunities for employment; and the self-employed who are unemployed because of general economic conditions or a natural disaster.

Unlike the TAA program, there is no cumbersome certification process required to determine whether a group of workers is eligible for the program. Any worker who fits the above definition is eligible for the program.

EDWAA provides for a number of major programs and activities.

Onsite rapid response is available for plant closings and mass layoffs, utilizing specially trained teams. In addition, States report success with labor-management committees available under EDWAA to assist with communitywide planning and implementation of adjustment assistance.

Basic adjustment services are available. These include counseling, job development, job search and placement assistance, supportive services, relocation assistance, outreach and intake, development of individual readjustment plans, labor market information, and predislocation readjustment programs.

Retraining services are provided, including classroom, occupational skills, and on-the-job training, basic and remedial education, and entrepreneurial training.

Needs-related payments are offered by EDWAA to workers who are participating in an approved training or education program and have exhausted their unemployment insurance (UI), provided that they enroll in a training program by their 13th week on UI. This requirement is to encourage workers to begin retraining early in their spell of unemployment rather than waiting indefinitely for recalls to jobs that no longer exist.

Finally, innovative features are part of the program, including certificates of continuing eligibility for workers who temporarily take jobs but may wish to pursue retraining later on.

This flexible array of adjustment services may be tailored by the States and localities to address the needs of the particular dislocation and the individual needs of each worker, depending on his or her skill level or service needs.

In addition to providing assistance through EDWAA, an important part of the Department's response to worker dislocations is to identify the relevant agencies and organizations for the particular dislocation, and bring them together to share information, identify resources, and develop a comprehensive response to the dislocation.

In situations such as dislocations expected as a result of defense downsizing, the northern spotted owl decision, the the Clean Air Act, there is time to plan a coordinated approach and make necessary adjustments. The Department of Labor has been active in each of these areas.

The Department and the Department of Defense have recently formed an interagency working group to develop and implement a comprehensive plan for providing transition assistance to workers affected by defense downsizing.

A memorandum of understanding has been drafted and is being reviewed by staff from both agencies. Work group members, representing the various programs that might form part of the dislocation response, have been identified. Following execution of the memorandum of understanding, specific workplans will be developed for each agency.

With respect to the northern spotted owl decision, since April, the Department has been in continuing discussions with Members of Congress and their staff, the Forest Service, the Bureau of Land Management, the Fish and Wildlife Service, and officials from the States of Oregon and Washington on issues involving the timber industry. We are assisting the two States in developing their plans for responding to the potential dislocations. The States, in turn, are beginning to work with local communities that would likely be affected by the dislocations, and to involve them in the planning process.

With respect to the Clean Air Act, now in House-Senate conference, we have begun to meet with other Federal agencies to identify the ways in which to assist the impacted workers.

I will now turn to the proposed Downey-Stark amendment which would create a new 5-year dislocated worker program, with features similar to TAA, for workers who are displaced from their jobs as a result of the following four causes: One, military base closures; two, defense authorization cuts below fiscal year 1990 levels; three, the Clean Air Act amendments of 1990; and, four, the Endangered Species Act.

Under this program, groups of workers would petition the Secretary of Labor for certification of eligibility. The Secretary would certify such workers if the Secretary determined that one of the four causes "contributed importantly" to the workers' layoffs and an absolute decline in sales, production or revenues of the workers' firm. Eligible workers would be entitled to 52 weeks of cash benefits, which would include 26 weeks of regular UI benefits and

either 26 weeks of the dislocated worker benefits or 13 weeks of the dislocated worker benefits and 13 weeks of extended benefits (EB) should the workers' State trigger on the EB program. Workers would also be entitled to training, job search and relocation allowances up to an annual capped amount of $100 million. Additional benefits would include extended health insurance through the Medicare program and eligibility under the targeted jobs tax credit. The program would be financed through an extension of the current 0.2 percent FUTA surtax.

The Department opposes the Downey-Stark amendment. It is unnecessary, would duplicate existing adjustment programs, and would be inequitable in its treatment of workers. As described above, EDWAA, combined with the current UI system, provides a comprehensive, flexible program of rapid adjustment assistance to dislocated workers irrespective of the causes of their dislocation. The Department worked closely with the 100th Congress in developing this program, which was designed specifically to address the kinds of dislocations that Downey-Stark is also intended to address. Rather than create a new Federal program and delivery system, we believe it would be far more effective and efficient to use the service delivery system already in place to serve dislocated workers under EDWAA. Moreover, EDWAA would cover the same workers covered by Downey-Stark, and serve them more quickly and effectively.

EDWAA has distinct advantages in design over other approaches that have been proposed. One advantage is that EDWAA can respond immediately to a plant closing or dislocation—in some cases even before the dislocation has occurred—without the delay that a certification process would require. The early intervention and broad range of basic adjustment services EDWAA can quickly deliver are essential to effective adjustment.

In addition, EDWAA provides an incentive for workers to begin retraining early in their spell of unemployment by requiring that a participant be enrolled in training by the 13th week of their UI benefit period—or 8 weeks after being informed that the layoff will extend beyond 6 months—to qualify for the needs-related payments. Under Downey-Stark, a worker could wait half a year, until regular UI is exhausted, before enrolling in training. In light of the fact that recalls in these industries are highly unlikely, the earlier the retraining process begins, the more effective will be the adjustment. If a worker waits too long before beginning retraining, job search, or relocation to a new job market, he or she may become discouraged and thus the adjustment process becomes more difficult.

The Department believes that singling out certain groups of workers for special treatment based on the cause of their dislocation is inequitable and inappropriate. Since dislocated workers need the adjustment services provided by EDWAA irrespective of the cause of their dislocation, we believe it is poor public policy to develop new programs with different features each time there is a new cause of dislocation. Moreover, distinguishing the cause of dislocation is a difficult task that can lead to unanticipated inequities. For example, in the TAA program, situations have occurred where some workers who lost their jobs at a particular plant were eligible

for TAA, while others in the same plant were not. Because Downey-Stark would expand certification into new areas that would require additional complex economic analysis and interpretation, the problems, bureaucratic delays, and inequities that occur in certifying workers under TAA would multiply. For example, how far downstream in the production chain would the "contributed importantly" test carry us in certifying eligible groups of workers? The ripple effects of any dislocation may be significant, but are also hard to trace and force difficult judgments about limiting eligibility. In contrast, EDWAA doesn't require this kind of investigation. If you are a dislocated worker as defined by EDWAA's broad categories, you are eligible for assistance. This is a far more equitable and efficient approach.

We defer to the Department of Health and Human Services with respect to the proposal that would provide expanded health insurance benefits to dislocated workers under Medicare.

Finally, we object to expanding eligibility for the targeted jobs tax credit (TJTC) to dislocated workers, and to extending the current 0.2 percent unemployment surtax. Research suggests that the TJTC, which expires this September, has not proven to be an effective means of getting employers to hire individuals they would not have otherwise hired. The 0.2 percent unemployment surtax has been repeatedly extended, and should be allowed to expire at the end of this year, as planned.

In conclusion, we believe that EDWAA, a comprehensive program that was put in place only last year to respond to all types of worker dislocations, is a far better program to assist workers affected by defense and environment-related dislocations than is a new program modeled after trade adjustment assistance.

EDWAA is more flexible, responds more quickly to dislocations, provides a broader array of services, and is more equitable to workers who lose their jobs. Its emphasis is on positive and early adjustment rather than income support followed by training.

We believe that we have programs in place that will effectively respond to dislocations due to Federal defense and environmental legislation. No new Federal program is necessary. We, therefore, oppose the Downey-Stark amendment. We will work closely with States, localities and other Federal agencies to plan for and marshall our resources to effectively respond to the dislocations, wherever they occur. In this effort, the Secretary is prepared to ensure that EDWAA's discretionary grants are available to help areas in greatest need.

Messrs. Chairmen, this concludes my prepared statement. At this time, I would be pleased to answer any questions that you or other members of the subcommittees may have.

[The prepared statement follows:]

STATEMENT OF JAMES D. VAN ERDEN
ADMINISTRATOR
OFFICE OF WORK-BASED LEARNING
U.S. DEPARTMENT OF LABOR
BEFORE THE
SUBCOMMITTEE ON HUMAN RESOURCES
AND THE
SUBCOMMITTEE ON HEALTH
COMMITTEE ON WAYS AND MEANS
U.S. HOUSE OF REPRESENTATIVES

August 1, 1990

Messrs. Chairmen and Members of the Subcommittees:

I am James Van Erden, Administrator of the Office of Work-Based Learning. I am pleased to have this opportunity to testify before you on adjustment assistance to workers who are dislocated due to Federal defense and environmental legislation. My office has responsibility for administering two programs which assist dislocated workers, the Economic Dislocation and Worker Adjustment Assistance Act (EDWAA--Title III of JTPA), and the Trade Adjustment Assistance (TAA) program. Secretary Dole and Assistant Secretary Jones would like me to convey their strong commitment to assist workers who are displaced from their industries or occupations in making a rapid, effective adjustment to new employment.

The Department shares your concerns on the potential effects of these dislocations, and believes that the solutions will require a coordinated, cooperative approach involving local, State, Federal and private sector resources. Over the past few years, we have learned much about worker dislocations. Although the source of dislocations varies, the needs of the impacted workers, their families and their communities are very similar.

Mr. Chairman, you asked us to comment on the steps the Department is planning to take as a result of dislocations caused by Federal defense and environmental legislation. I would like to respond to your request by focusing on the EDWAA program.

We believe that the EDWAA program, combined with the unemployment insurance system, is the best means for responding to the retraining and related needs of dislocated workers, regardless of the cause of their dislocation. As you know, EDWAA was created when Congress substantially amended Title III of the Job Training Partnership Act in the 1988 Trade Act. As a result of an extensive review of the needs of <u>all</u> dislocated workers, Congress and the Administration agreed on this comprehensive new program, which began operation in July 1989. Let me now focus on specific aspects of EDWAA.

EDWAA is a flexible, comprehensive program for dislocated workers whose employment loss means they are unlikely to return to their previous industries or occupations. EDWAA is a State grant program with a local service delivery system. The Governor of each State is responsible for overall program administration, management, and targeting formula-disbursed funds to areas of major worker dislocations. Placing the primary responsibility for the program at the State and local levels allows for a more flexible, effective set of responses that are tailored to the needs of the local area.

Eighty percent of EDWAA funds are allocated to the States by formula, and the majority of these funds are distributed to the local level. The remaining twenty percent of EDWAA funds are reserved for the Secretary to use for special grants to States experiencing major worker displacements.

Eligibility for EDWAA is broad-based and easy to determine. It includes workers who have been terminated or laid off from their job (or have received notice) and are unlikely to return to their previous industry or occupation; those affected by a plant closing or substantial layoff; the long-term unemployed who have limited opportunities for employment; and the self-employed who are unemployed because of general economic conditions or a natural disaster. Unlike the TAA program, there is no cumbersome certification process required to determine whether a group of workers is eligible for the program. Any worker who fits the above definition is eligible for the program.

EDWAA provides for a number of major programs and activities:

- On-site rapid response is available for plant closings and mass layoffs, utilizing specially trained teams. In addition, States report success with labor-management committees available under EDWAA to assist with community-wide planning and implementation of adjustment assistance.

- Basic adjustment services are available. These include counseling, job development, job search and placement assistance, supportive services, relocation assistance, outreach and intake, development of individual readjustment plans, labor market information, and pre-dislocation readjustment programs.

- Retraining services are provided, including classroom, occupational skills, and on-the-job training, basic and remedial education, and entrepreneurial training.

- Needs-related payments are offered by EDWAA to workers who are participating in an approved training or education program and have exhausted their unemployment insurance (UI), provided that they enroll in a training program by their thirteenth week on UI. This requirement is to encourage workers to begin retraining early in their spell of unemployment rather than waiting indefinitely for recalls to jobs that no longer exist.

- Finally, innovative features are part of the program, including certificates of continuing eligibility for workers who temporarily take jobs but may wish to pursue retraining later on.

This flexible array of adjustment services may be tailored by the States and localities to address the needs of the particular dislocation and the individual needs of each worker, depending on his or her skill level or service needs.

In addition to providing assistance through EDWAA, an important part of the Department's response to worker dislocations is to identify the relevant agencies and organizations for the particular dislocation, and bring them together to share information, identify resources, and develop a comprehensive response to the dislocation. In situations such as dislocations expected as a result of defense downsizing, the Northern Spotted Owl decision, and the Clean Air Act, there is time to plan a coordinated approach and make necessary adjustments. The Department of Labor has been active in each of these areas.

The Department and the Department of Defense have recently formed an interagency working group to develop and implement a comprehensive plan for providing transition assistance to workers affected by defense downsizing. A Memorandum of Understanding has been drafted and is being reviewed by staff from both

agencies. Work group members, representing the various programs that might form part of the dislocation response, have been identified. Following execution of the Memorandum of Understanding, specific workplans will be developed for each agency.

With respect to the Northern Spotted Owl decision, since April the Department has been in continuing discussions with members of Congress and their staff, the Forest Service, the Bureau of Land Management, the Fish and Wildlife Service, and officials from the States of Oregon and Washington on issues involving the timber industry. We are assisting the two States in developing their plans for responding to the potential dislocations. The States, in turn, are beginning to work with local communities that would likely be affected by the dislocations, and to involve them in the planning process.

With respect to the Clean Air Act, now in House-Senate conference, we have begun to meet with other Federal agencies to identify the ways in which to assist the impacted workers.

I will now turn to the proposed Downey-Stark Amendment which would create a new five-year dislocated worker program, with features similar to TAA, for workers who are displaced from their jobs as a result of the following four causes:

(1) military base closures;

(2) defense authorization cuts below FY 1990 levels;

(3) the Clean Air Act Amendments of 1990; and

(4) the Endangered Species Act.

Under this program, groups of workers would petition the Secretary of Labor for certification of eligibility. The Secretary would certify such workers if the Secretary determined that one of the four causes "contributed importantly" to the workers' layoffs and an absolute decline in sales, production or revenues of the workers' firm. Eligible workers would be entitled to 52 weeks of cash benefits, which would include 26 weeks of regular UI benefits and either 26 weeks of the dislocated worker benefits or 13 weeks of the dislocated worker benefits and 13 weeks of Extended Benefits (EB) should the workers' State trigger on the EB program. Workers would also be entitled to training, job search and relocation allowances up to an annual capped amount of $100 million. Additional benefits would include extended health insurance through the Medicare program and eligibility under the Targeted Jobs Tax Credit. The program would be financed through an extension of the current 0.2 percent FUTA surtax.

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The Department believes that singling out certain groups of workers for special treatment based on the cause of their dislocation is inequitable and inappropriate. Since dislocated workers need the same adjustment services irrespective of the cause of their dislocation, and these services are already made available under EDWAA, we believe it is poor public policy to develop new programs with different features each time there is a new cause of dislocation. Moreover, distinguishing the cause of dislocation is a difficult task that can lead to unanticipated inequities. For example, in the TAA program, situations have occurred where some workers who lost their jobs at a particular plant were eligible for TAA, while others in the same plant were not.

Because Downey-Stark would expand certification into new areas that would require additional complex economic analysis and interpretation, the problems, bureaucratic delays, and inequities that occur in certifying workers under TAA would multiply. For example, how far downstream in the production chain would the "contributed importantly" test carry us in certifying eligible groups of workers? The ripple effects of any dislocation may be significant, but are also hard to trace and force difficult judgments about limiting eligibility. In contrast, EDWAA doesn't require this kind of investigation. If you are a dislocated worker as defined by EDWAA's broad categories, you are eligible for assistance. This is a far more equitable and efficient approach.

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In conclusion, we believe that EDWAA, a comprehensive program that was put in place only last year to respond to all types of worker dislocations, is a far better program to assist workers affected by defense and environment-related dislocations than is a new program modeled after Trade Adjustment Assistance. EDWAA is more flexible, responds more quickly to dislocations,

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Messrs. Chairmen, this concludes my prepared statement. At this time I would be pleased to answer any questions that you or other members of the Subcommittees may have.

Acting Chairman DOWNEY. The subcommittee will hear from all the panelists and then ask questions. Mr. Rauner.

STATEMENT OF ROBERT M. RAUNER, DIRECTOR, OFFICE OF ECONOMIC ADJUSTMENT, OFFICE OF ASSISTANT SECRETARY OF DEFENSE FOR FORCE MANAGEMENT AND PERSONNEL, U.S. DEPARTMENT OF DEFENSE

Mr. RAUNER. I appreciate the opportunity to appear here to discuss the Defense Department's economic adjustment program. I will submit my statement for the record.

Acting Chairman DOWNEY. All statements will be entered into the record in their entirety.

Mr. RAUNER. The DOD has supported a program of economic adjustment assistance since 1961 and strengthened it by Executive Order 12049 which set up the President's Economic Adjustment Committee. In practice it works at two levels: at the Federal level the President's Economic Adjustment Committee of 18 Federal agencies brings a coordinated response to communities adversely affected by Defense program changes. That committee is chaired by the Secretary of Defense.

At the community level our program seeks to facilitate the local process of organizing, planning and implementing recovery strategies caused by Defense program changes. These typically are either base closures or contract cuts or contract cancellations.

Over almost a 30-year period we have worked in more than 400 communities. We are currently helping 21 places affected by the Base Closure and Realignment Act of 1988 and some others that are affected already by the contemplated Defense budget cuts notably in Long Island, Connecticut, and most recently in St. Louis, Mo. The program, I may say, has been judged a success in terms of replacing economic losses and job losses in the context of base closures. We believe that particularly the energy that is demonstrated in the communities by the public, and the private sectors, are the specific ingredients in that success.

As for the specific provisions of the Downey-Stark amendment, the administration does oppose new Federal initiatives as unnecessary in light of the existing programs. You have heard from our colleague, Dr. Van Erden, the position being taken on that.

Thank you. I will be pleased to answer your questions.

[The prepared statement follows:]

STATEMENT OF DR. ROBERT M. RAUNER, DIRECTOR
OFFICE OF ECONOMIC ADJUSTMENT
OFFICE OF ASSISTANT SECRETARY OF DEFENSE FOR FORCE MANAGEMENT AND PERSONNEL

Thank you for the opportunity to appear before you to discuss the Defense economic adjustment program. I am Dr. Robert Rauner, Director of Economic Adjustment for the Department of Defense. I am also staff director for the President's Economic Adjustment Committee, an interagency group of 18 Federal agencies charged with providing coordinated Federal assistance to defense-impacted communities. The committee is chaired by the Secretary of Defense.

The Department of Defense has supported a program of economic adjustment assistance since 1961. In 1978, the functions were delineated by Executive Order 12049, Defense Economic Adjustment Programs.

Through the Economic Adjustment Committee (EAC), the Executive departments and agencies with programs that assist communities and workers are alerted to impacts caused by Defense actions. As mandated by the Executive Order, the Executive agencies provide priority consideration to community requests for Federal technical assistance and financial resources. In a recent analysis by my Office of Economic Adjustment, it was found that over $500 million of EAC domestic assistance programs had been provided to 100 defense-impacted communities for economic adjustment purposes over the twenty-five years that the study covered.

The existing economic adjustment program is comprehensive and coordinated. It is tailored to help meet local needs. Defense-related impact problems are estimated first; then the assistance is scaled in proportion to the needs. The coordination is deliberate; local, State, and Federal officials meet in the forum provided by the Program. Private sector organizations and public interest groups are represented on the steering committees formed to mold the community response to the impact.

With support from Office of Economic Adjustment project managers and Executive agency representatives, specific community adjustment strategies and action plans are developed, published, circulated and monitored. Thus, each agency with a domestic assistance program is alerted to their responsibilities within the overall economic adjustment program. To assist communities plan for and manage this program, the Secretary of Defense is authorized to make grants to qualified local government entities.

We are currently working with the communities which are near 21 of the bases on the 1988 Base Closure Act list. We have recently started working with communities potentially affected by the Secretary of Defense's January 1990 announcement of other proposed closures and realignments. We have also begun using the adjustment process to deal with community encroachment that would constrain base operations.

As we look at current international events and the prospects of more base closures and defense procurement contract cutbacks, I have these observations. The existing Economic Adjustment Committee has been effective in coordinating Federal agency responses to community adjustment needs. It has the flexibility to react to changing needs and has received high marks as an effective interagency committee. The authority for the Department of Defense to make grants has allowed us to address significant community impacts.

Turning to the provisions of the Downey-Stark Amendment to H.R. 3896, the Administration opposes these provisions. In light of existing programs for dislocated workers, no new federal initiative is necessary. Workers dislocated because of military base closures or cuts in defense spending will be eligible for assistance under existing programs.

That concludes my statement.

Acting Chairman DOWNEY. Thank you.
Mr. Hays.

STATEMENT OF LOUIS B. HAYS, ASSOCIATE ADMINISTRATOR FOR OPERATIONS, HEALTH CARE FINANCING ADMINISTRATION, U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

Mr. HAYS. Thank you, Mr. Chairman. I am Louis B. Hays, Associate Administrator for the Health Care Financing Administration. I am pleased to have this opportunity to testify with regard to adjustment assistance to certain dislocated workers.

I do not have a prepared statement at this time for submission to the record but I would like to make a brief statement.

I would point out that the proposal under consideration is likely to have a significant impact on the Social Security Administration. We have shared your proposal with them and they have serious workload and operational concerns, and are currently reviewing the impact the proposal would have upon them.

Let me begin by conveying the opposition of the Department of Health and Human Services to the proposal. We do not believe Medicare benefits are appropriate for the targeted groups of dislocated workers in question. We oppose it because it would create a cadre of individuals who would qualify on new terms which are quite inconsistent with the purpose of the Medicare program. My point is to discuss the impact on the operation of the Medicare program.

Based upon our best understanding of the proposal we believe it would seriously burden the operation of the Medicare program, including the enrollment function the Social Security Administration performs for us. As you know the current Medicare program is an insurance program. Medicare eligibility is now based on Social Security eligibility which is in turn based on covered employment.

Simply stated, the Medicare program is not structured to provide short-term medical assistance to individuals and their families. Covering short-term health benefits through an unemployment system would certainly be a major change in the operation of Medicare.

Let me lay out our major operational concerns about the proposal. First, we have concerns about the very lengthy period of time that would be required to implement such a proposal. We have had relatively recent experience with having to implement major revisions to the Medicare program—first, through the enactment of the catastrophic health insurance program and later through the repeal of the catastrophic health insurance program and more recently on a continuing basis the implementation of additions to Medicare, of the qualified Medicare beneficiary program and the qualified disabled working individuals program.

Based on the experience that we have had with implementing and deimplementing these additions to the Medicare program and the time that is required by the Social Security Administration to change their systems and make other changes, I would have to predict that it would require at least a minimum of 18 months to get such a new program on line.

Next, once implemented, the proposal would cause us rather serious ongoing problems as we try to administer the Medicare program. With respect to enrollment for Medicare, the Social Security Administration currently enrolls beneficiaries in the Medicare program. They would presumably have to rely upon certification from State employment security agencies regarding the eligibility of dislocated workers.

The proposal would make the family of dislocated workers eligible for Medicare. The determination of who and what constitutes the family is complex to say the least. Some entity would have to make this determination and relay it to the Social Security and Health Care Financing Administrations. Perhaps even more troublesome is the notion of disenrollment from Medicare as these individuals lose their eligibility either because of time elapsing or reemployment.

Frankly, the average Medicare beneficiary today disenrolls upon death, not an event such as becoming reemployed. This presents an enormous new challenge that we have had no experience in handling in the past.

Another major problem is the system of collecting premiums that is envisioned in the proposal. The collection of Medicare premiums through 54 separate State employment programs would be extremely cumbersome and costly to set up and administer as well.

Another major concern is coordination of benefits, particularly what we refer to as the Medicare secondary payer program. We have substantial difficulties administering the Medicare secondary payer program with the existing stable Medicare population. To do it for these individuals and families who would be coming on for a maximum of 26 weeks and perhaps less would be close to impossible.

We have concerns about payment issues under such a new program. The proposal would require us to make technical payment adjustments to accommodate this new population. For example, we are not at all sure how we would pay health maintenance organizations who participate as risk HMO's under the Medicare program, let alone how we might have to adjust the entire system of DRG's under which we pay for acute care.

Chairman STARK. We did not intend to allow HMO's to participate for that very reason.

Mr. HAYS. I am sorry. That was not apparent to us in the last 24 hours. Finally, we are concerned about the potential impact of this expansion upon Medicare trust funds. Frankly, actuarial estimates of this population are completely unknown to us. It would be very difficult to calculate the amount that the unemployment trust funds would be required to transfer to the Medicare program.

Thank you for this opportunity to testify. I will certainly be pleased to answer any questions that you may have for me.

Acting Chairman DOWNEY. Mr. Stark.

Chairman STARK. Mr. Hays, the amount you would transfer would be all claims. So there would be no actuarial risk at all. You would put the shoe on the other foot. You would become the intermediary. The unemployment trust funds would reimburse Medicare. The Medicare trust funds would be at no risk.

Second, you add on about 100,000 SSI disability cases a year, right?

Mr. HAYS. We certainly have people who receive Medicare on the basis of disability.

Chairman STARK. I believe it is about 100,000 cases a year.

Mr. HAYS. It could well be.

Chairman STARK. Would you be kind enough to send some prepared remarks for the record? We will submit them as an addition to the hearing.

[The following was subsequently received:]

The Health Care Financing Administration is pleased to have this opportunity to address the Downey-Stark Amendment to provide cash and health insurance benefits to dislocated workers.

While we recognize the concern that these Subcommittees have for the important issue of health care for dislocated American workers, the Department of Health and Human Services is opposed to this particular proposal. We do not believe that the Medicare program is the appropriate means for providing health care to dislocated workers and their families.

Medicare is an insurance program. It is not designed to provide short-term medical assistance to unemployed individuals and their families. Covering short-term health benefits through an unemployment system would be a major change in the mission and the operation of Medicare.

Medicare eligibility is tied to Social Security eligibility, which is based on covered employment. The proposal would expand Medicare to cover an entirely new group of beneficiaries. This would create a harmful precedent by adding a group of beneficiaries who would qualify under new terms that are completely inconsistent with the purpose of the Medicare program.

Based on our best understanding of the proposal, we believe the provision would seriously burden the operation of the Medicare program, and is likely to have a significant impact on the Social Security Administration, which currently handles the enrollment process. In fact, we estimate it could take 18–24 months to put in place the systems, instructions and procedures necessary to operate this program for dislocated workers.

The proposal raises considerable enrollment and disenrollment concerns for the Health Care Financing Administration. Medicare is based on individual enrollment and does not accommodate or differentiate information about families. Information processing and data collection for health insurance utilization records are set up for individuals. The enrollment process for this new population of beneficiaries would be more complicated than the present enrollment process.

While enrollment issues would be serious barriers to this proposal, the most significant administrative obstacle would be frequent disenrollment from the Medicare program. There are generally three ways that a person is disenrolled from Medicare. Most frequently, a beneficiary is disenrolled following death. Some beneficiaries withdraw their Medicare benefits voluntarily each year, and some have benefits terminated due to unpaid premiums.

None of these processes involves a predefined period of coverage and an expiration date. Today, Medicare beneficiaries are almost always enrolled for permanent benefits. Under the Downey-Stark proposal, Medicare eligibility for a dislocated worker and family would end when the dislocated worker found a new job or after 6 months of coverage, whichever came sooner. This would require SSA and HCFA to continually track eligibility to provide benefits and collect premiums for only the appropriate period. We would need to develop an elaborate new system of short-term eligibility verification. Presently there exists no structure in the Medicare program that would track beneficiaries' and their families' eligibility over time.

Another obstacle to implementing this proposal would be the need to coordinate Medicare benefits with other insurance. The provision is designed so that Medicare would remain the secondary payer, except to COBRA-extension coverage of the worker. Identifying additional health care coverage available through the spouse of a dislocated worker would be a complication that would occur quite frequently in this population. You have seen the difficulty we have with Medicare Secondary Payer situations with our current, stable beneficiary population. It would be infinitely more complicated to coordinate benefits under this proposal.

It would also be complex to arrange for payment of the Medicare premiums. The Downey-Stark proposal suggests that premiums for dislocated workers and their

families would be collected through a deduction in unemployment insurance benefits. But coordinating premium payments from 54 different State unemployment programs would be cumbersome as well as costly.

We are concerned that we would need to make a myriad of technical payment adjustments to accommodate this new population of beneficiaries. And because this proposal will not incorporate managed care systems, these beneficiaries would not be able to take advantage of the more cost-effective means of care delivery that we are encouraging in the Medicare program.

It is difficult to know the magnitude of the costs associated with implementing this proposal. The numbers of people that would become eligible for Medicare benefits under this proposal are unclear. Actuarial estimates of these populations are necessary to calculate the financial impact of the proposal and the amount the unemployment trust funds would need to supplement the Medicare trust funds.

As we concentrate on reducing Federal expenditures it is clear that expanding the Medicare program is not the best way to meet the needs of workers dislocated due to changes in Federal policies. Thank you for the opportunity to submit this statement.

Chairman STARK. Also, there are about 600,000 new Medicare beneficiaries a year, right?

Mr. HAYS. The problem is not so much the adding. It is the fact that with our current Medicare population, once on, they basically stay on.

Chairman STARK. About the same number die each year and you take them off. You are experts at putting people on and taking people off. You will be handed a list. This will be handled by the Labor Department. You will be given a list of those on and those off. I know that you are much prouder of HCFA's record and ability to deal with complex problems. I know that.

You are a professional in what you do. As you know, we have had many years of experience with you and you have always come through on far more complex issues than this. For a couple of hundred thousand people, it should be no problem at all. We look forward to working with you as we proceed.

Also would you stipulate with me that younger people should cost less than older people on average?

Mr. HAYS. If those are the individuals who choose to enter the system that would presumably be the case. We don't know, though. That certainly is an unknown cost of the program, whether there will be adverse selection. Our actuaries normally assume adverse selection.

Chairman STARK. Thank you, Mr. Chairman.

Acting Chairman DOWNEY. Mr. Gradison.

Mr. GRADISON. Thank you, Mr. Chairman.

Mr. Chairman, it would seem to me that if we are going to do this we ought to consider making these displaced workers and their families eligible for coverage under Medicaid in their States rather than the Medicare program. The idea as I understand this bill is to extend cash benefits under the Federal/State unemployment insurance program. Those benefits of unemployment compensation will not only vary from State to State but they also will be administered by the State agencies.

It seems to me both from an administrative point of view and from a scope of benefits point of view that Medicaid will be the preferable program. Once somebody is eligible for Medicaid they are eligible for a far larger package of benefits than from Medicare. Before you get to part B of Medicare you have to have some way to collect the 25 percent share of the part B premium. Since

eligible workers are not receiving a Social Security check I guess it would be deducted from the unemployment compensation benefits.

That is a State check. Getting that check reduced for the premium and getting the premium in is a complication to say nothing about the 20 percent coinsurance that is required under Medicare. It seems to me if we are going to do this it would be simpler to use the Medicaid programs because it is all within the State agencies. In addition, Medicaid offers a much broader package of benefits.

Medicaid would not require the payment of a 25 percent premium. It would not require the payment of 20 percent coinsurance. The benefit package would not have the limitations which exist with regard to Medicare, for example, very long hospital stays. Do you have any comments on this matter, Mr. Hays, as to whether the Medicaid program might be an appropriate one to tie into this plan?

Mr. HAYS. Certainly, Mr. Gradison. From a policy standpoint I think we would have some of the same concerns and objections that we have about using the Medicare program for this expansion. Other policy concerns, of course, are the fact that the Medicaid program is generally designed to provide coverage for the poor and we would have some concern about adding a group that is, for the most part, nonpoor.

Also you know, the administration supports the States' request for a moratorium on any additional mandatory Medicaid expansion on the States.

On a more technical level I would certainly agree that the Medicaid program has many advantages over the Medicare program as the potential vehicle for this expansion given the nature of the population in question, and given the relationship with another State program, namely unemployment insurance. So from an administrative standpoint it would be simpler and easier to use Medicaid for this purpose.

Chairman STARK. Would you yield?

Mr. GRADISON. Of course.

Chairman STARK. We did consider the Medicaid program briefly. It is very lacking. I think the committee decided that Medicare was better. In the State of California Medicaid is not available to most beneficiaries. Most doctors will not participate and there is no requirement that they do. The access problem would be substantial.

The hospitals and doctors are woefully underpaid in almost every State by Medicaid. While the benefits may be in some instances broader, they are in practice not available. So that it was felt that if we were going to go through the exercise and the political pain of providing benefits to these workers, we should not in fact, do it under the Medicaid system.

Acting Chairman DOWNEY. Mr. Van Erden, has the Department of Labor estimated how many workers will be displaced by defense cuts, endangered species and the other amendments?

Mr. VAN ERDEN. No, we have not.

Acting Chairman DOWNEY. Then how can you possibly testify that the benefit levels under JTPA will be adequate to deal with displaced workers?

Mr. VAN ERDEN. I said the program parameters in EDWAA would be able to deal with displaced workers. The legislation authorizes you to deal adequately with displaced workers.

Acting Chairman DOWNEY. Is it your best judgment that there will be more workers laid off as a result of defense cut backs and the Clean Air Act?

Mr. VAN ERDEN. I think everyone anticipates there will be additional layoffs.

Acting Chairman DOWNEY. Is the Department of Labor asking us for more money for this program?

Mr. VAN ERDEN. Not at this time, sir.

Acting Chairman DOWNEY. Then how can you sit there with a straight face and tell us the program is able to deal with more workers if you are not asking for more money?

Mr. VAN ERDEN. This year it is funded $460 million versus $200 million in prior years. I don't think anybody has a good estimate of the number of workers who will be impacted by the field defense and environmental legislation.

The EDWAA program this year is funded at $463 million, which is an increase of about $180 million from the level we had last year. It is premature at this time to say what the full impact of these dislocations will be in the future.

Acting Chairman DOWNEY. Did the Department of Labor request the additional money?

Mr. VAN ERDEN. We requested an increase.

Acting Chairman DOWNEY. What level of increase did you request?

Mr. VAN ERDEN. I am told it was $400 million.

Acting Chairman DOWNEY. The Congress gave you?

Mr. VAN ERDEN. $463 million.

Acting Chairman DOWNEY. So you anticipate that there will be a need for additional money because there will be new workers entering into the program?

Mr. VAN ERDEN. I think as we approach the actual situations we will have to take a good look at the money available.

Acting Chairman DOWNEY. Thank you.

[The following is additional information for the record:]

DAN ROSTENKOWSKI, ILLINOIS, CHAIRMAN
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COMMITTEE ON WAYS AND MEANS

U.S. HOUSE OF REPRESENTATIVES

WASHINGTON, DC 20515

SUBCOMMITTEE ON HUMAN RESOURCES

August 8, 1990

Mr. James Van Erden
Administrator
Office of Work-Based Learning
Employment and Training Administration
U.S. Department of Labor
200 Constitution Avenue, N.W.
Washington, D.C. 20210

Dear Mr. Van Erden:

I am writing to ask you to correct the record on your testimony of August 1, 1990 before the Subcommittees on Human Resources and Health of the Committee on Ways and Means.

During your testimony, you stated that the Administration had requested a $490 million appropriation for activities under title III of the Job Training Partnership Act, but that Congress appropriated only $464 million. It is my understanding that the Administration requested only $400 million and also proposed to repeal the Trade Adjustment Assistance program.

Please write a letter to me as Acting Chairman of the Subcommittee on Human Resources which gives us the correct figures. I will include it in the hearing record. Thank you for your assistance.

Sincerely,

Thomas J. Downey
Acting Chairman

TD/rhj

U.S. Department of Labor

Employment and Training Administration
200 Constitution Avenue, N.W.
Washington, D.C. 20210

AUG 2 3 1990

The Honorable Thomas J. Downey
United States House of Representatives
Washington, D.C. 20515

Dear Chairman Downey:

This is in response to your letter of August 8 regarding my testimony of August 1, 1990 before the Subcommittees on Human Resources and Health of the Committee on Ways and Means.

The Administration's budget request for fiscal year 1990 for Title III of the Job Training Partnership Act was $400 million.

Thank you for the opportunity to provide you with the correct figures for the hearing record.

Sincerely,

JAMES D. VAN ERDEN
Administrator
Office of Work-Based Learning

Acting Chairman DOWNEY. Mr. Matsui.

Mr. MATSUI. Thank you, Mr. Downey.

Let me follow up Mr. Van Erden. I have gone to some of the Job Training Partnership Act programs. It seems to me that most of them are young people starting to move into the work force by and large.

What we are talking about how are dislocated people who are current employees, some with 10, 20, or 30 years in the work force who will have to be retrained to a different level and maybe even relocated from a community. These people have assets, mortgage payments, and maybe kids going to college. I don't know that $200 million is going to help solve this problem.

Mr. VAN ERDEN. Under JTPA there are different titles. I am referring to title III which is the Dislocated Worker Act and deals with exactly the types of folks you are describing.

Mr. MATSUI. But there are not a lot of them.

Mr. VAN ERDEN. We are serving about 200,000 a year right now. That is in title III.

Mr. MATSUI. But you are not talking about whole communities. If three military bases in my community close down, we are talking about up to 20,000 civilian employees. We hope that doesn't happen, but if it does, how do you respond to that? You will have to set up a whole new infrastructure to relocate these workers.

Mr. VAN ERDEN. My point is that the infrastructure and the program services that EDWAA provides are there and available. In your State, Mr. Matsui, we have had experience with the McDonnell Douglas layoffs in the southern part of the State. We had a rapid response team working with the unions, employers, workers to set up training programs and outreach programs. The infrastructure was there in place and working with McDonnell Douglas just this month.

Mr. MATSUI. Can you provide these people with financial assistance?

Mr. VAN ERDEN. Yes, we can.

Mr. MATSUI. How much?

Mr. VAN ERDEN. Under EDWAA, if you enter training by the 13th week of your UI program and you exhaust UI, you are eligible to receive needs-related payments at poverty level or UI, whichever is higher. You can receive those payments as long as you are in training.

There is a cap of 25 percent of the total amount of dollars available to put into this pot.

Mr. MATSUI. So you are talking about $100 million all together.

Mr. VAN ERDEN. Under the current appropriation.

Mr. MATSUI. Is that going to be sufficient? Obviously, you are going to have to come in for a huge sum of money, correct?

Mr. VAN ERDEN. We would have to speculate how many people will be laid off. We are not prepared to do it at this time. At this time EDWAA has served everyone who has asked for assistance.

Mr. MATSUI. But you are not thinking about putting into place a new program to deal with all these base closings and procurement cancellations.

Mr. VAN ERDEN. The Department has taken the approach that the existing program offers all the kinds of services that are necessary in terms of retraining and relocation. We are working with the States and the Defense Department in beginning to plan what all the Federal resources are.

Mr. MATSUI. So there is nothing on the drawing board?

Mr. VAN ERDEN. We believe the EDWAA program is sufficient.

Mr. MATSUI. Mr. Rauner, you touted in your comments the Office of Economic Adjustment. What was the funding of that department in 1981?

Mr. RAUNER. Funding of the Department?

Mr. MATSUI. No. Of the Office of Economic Adjustment.

Mr. RAUNER. In 1981 it was probably in the range of $2.5 million, half for grants to communities and the other half to my staff.

Mr. MATSUI. It is my understanding that since 1982 the Office of Economic Adjustment has had a reduction in their budget of some 80 percent.

Mr. RAUNER. I am not familiar with those figures. I know my agency's budget.

Mr. MATSUI. Does somebody on your staff have numbers as to what it was in 1981 and what it is in 1990?

Mr. RAUNER. I can tell you it is almost $4 million now. It has gone up increasingly in the last 10 years since I have been there.

[The following was subsequently received:]

Office of Economic Adjustment

Fiscal years:	*Millions*
1981	$1.9
1982	2.0
1983	2.4
1984	2.6
1985	2.8
1986	2.8
1987	2.6
1988	3.6
1989	3.5
1990	3.6

Mr. MATSUI. You know that 86 base closings will occur as a result of the 1988 base closing legislation?

Mr. RAUNER. I understand that.

Mr. MATSUI. Mr. Cheney put another 45 bases on the list in January. We could see hundreds of bases closing over the next 5 years?

Mr. RAUNER. Yes, additional bases will be closed as the budget is reduced.

Mr. MATSUI. Your office basically coordinates efforts between cities, counties, and States in adjusting to these closings, but your office does not provide direct assistance to workers, correct?

Mr. RAUNER. We do not provide assistance to workers or infrastructure changes, brick and mortar. I may point out that with your permission, that a base closure which you referred to regarding displaced personnel has three categories, the military personnel are provided under the military personnel reassignment system; they do not become dislocated workers. The civilian employees are taken care by the Department's priority placement program. They typically do not end up in the dislocated work force.

So the remaining dislocated workers are the contractors' workers.

Mr. MATSUI. If we reduce the Defense Department budget I doubt if they will be able to place these people in other locations. Most people, like you and I, have roots. You have a home, and a place in the community, you don't want to move 3,000 miles across country. You find yourself in a position where you want to stay in your community and you have to find a job.

It seems to me there is some insensitivity going on. After all we are talking about hundreds of thousands of people over the next 5 years who are going to be dislocated and you guys say this one office will be able to take care of it.

This dislocation program was established in 1961. That was the beginning of the military buildup. We were not cutting back bases. You are telling me this office is going to handle this massive transition from a military to a peace time economy in various communities in this country. It is distressing.

Acting Chairman DOWNEY. I just want to go back a minute to contrast your proposal with ours. We are talking about $1 billion a year. At best the JTPA title you are talking about hopefully will receive the same level of funding or maybe more.

You do not offer health benefits of course, which we do.

Mr. VAN ERDEN. If health benefits are required as part of the training, you can have them.

Acting Chairman DOWNEY. Is that means-tested?

Mr. VAN ERDEN. No.

Acting Chairman DOWNEY. So it is available to anyone. Are income maintenance benefits available to anyone?

Mr. VAN ERDEN. The law allows that to happen. It allows the States to set what the exact requirements would be.

Acting Chairman DOWNEY. So it is conceivable that workers would get training, they just would not be able to live while they were training. I am delighted to know that there has been an expansion and a kind of religious belief that JTPA will be able to deal with this problem.

We have some serious doubts here that what you are talking about is enough money, Mr. Matsui put it on the table as far as the military response to that.

Second, we see a real need here not only for training but for income maintenance for middle income people which JTPA will not be able to deal with.

You cannot say that $200 million is the same as $1 billion.

Mr. MATSUI. I think that is just the point. You have some training components. Certainly that is important. We should certainly support that. You come back to us a year from now and ask us for more money and we will believe that you are acting in good faith.

Mr. MATSUI. But I think what Mr. Downey says is absolutely correct. Many of these people are going to need a period of months in which to sustain themselves because they are going to be without a job. The community is going to be devastated because, as you well know, many related industries around the defense company or a base depend upon the military.

When the military base closes, that is going to affect probably six or seven times as many industries around it or businesses around it, that means basically these people aren't going to find employment.

They will be out of work for 6 months, a year, and sometimes longer than that. Somebody is going to have to take care of these people. We just cannot ignore this issue and say, well, they can travel 3,000 miles and go to another community or not worry about it.

That is what I find frustrating. What is shocking to me is none of you are talking about alternatives. You think existing programs are going to work.

Mr. VAN ERDEN. Mr. Matsui, if you set aside the funding level, we can talk about that later on, and you examine what kind of services can you provide under EDWAA, then I believe you can conclude that EDWAA can effectively deal with any dislocated worker, whether directly impacted by this legislation or indirectly.

The communities would benefit much more under an EDWAA proposal. It deals with every dislocated worker in the community not just those certified as impacted by the legislation.

Acting Chairman DOWNEY. Would you like a billion dollars more in the program? Is that going to be enough?

If you have two times, three times as many workers? We will accept your recommendations that existing title III of JTPA will do it. Will you come up and ask for a billion dollars more for the program?

Mr. VAN ERDEN. I think it would be premature to ask for any money. We believe enough resources are available for current dislocations.

Mr. MATSUI. You are going to find the business community is going to come down hard on the administration. This isn't just a labor issue. This is an issue that a community is going to be involved in.

A lot of members of groups like Rotary and Kiwanis are the ones that will be impacted by this. If the Republican Party is smart, they are going to be sure they do differently than both of you are suggesting.

That is their basic constituency. You are going to be harming that constituency when all is said and done.

Acting Chairman DOWNEY. I want to recognize Mrs. Johnson.

Mrs. JOHNSON. Mr. Van Erden, under the Job Training Partnership Act, what I hear you saying is that there is a program now that people receiving unemployment compensation can use to pay for the cost of a training program. So that they can participate in training and still receive their unemployment compensation benefit.

I also understood you to say earlier that once they are in that program, they can continue to receive both until the end of the training.

Mr. VAN ERDEN. Yes. What we said was after the UI is exhausted, they can continue to receive a needs-related payment which can be at the same level as the UI level.

Mrs. JOHNSON. That is something you provide?

Mr. VAN ERDEN. It is something provided through the JTPA program.

Mrs. JOHNSON. Who is eligible for this?

Mr. VAN ERDEN. Any dislocated worker who is unlikely to return to their job. There are several different criteria.

Mrs. JOHNSON. Would that definition of dislocation be broad enough to include people who lose their jobs as a result of a defense contract termination?

Mr. VAN ERDEN. Yes, ma'am.

Mrs. JOHNSON. What you are really saying is there is an existing program. All you need to be sure of is that you are going to have the money to service people who need—who are eligible for the program?

Mr. VAN ERDEN. Yes, ma'am.

Mrs. JOHNSON. As to the numbers that might be eligible, Mr. Rauner, how many bases have you closed since 1985?

Mr. RAUNER. Excuse me. The Base Closure and Realignment Act of 1988 identified 86 military properties to be closed between that time and fiscal year 1995.

The 86 properties are not all equal installations. As Congressman Matsui mentioned, Mather Air Force Base is closing at Sacramento. But then there are minor properties, so-called stand-alone family housing units.

Of that list of 86, we would reckon there probably are 15 or 20 that would be significant. Five Air Force bases, for example, the Presidio, Fort Sheridan in Chicago, et cetera.

We closed some lesser properties before 1988, minor Air Force radar stations.

So, the number of base closures went up when the Base Closure Act was passed and we are working through those communities right now.

Mrs. JOHNSON. On those bases, do you have any knowledge of what number of people on the base or what percentage are military people who when discharged will go back to their own communities versus the number that might come into the unemployment market of that community?

Mr. RAUNER. I don't have those statistics with me. I can provide them.

Mrs. JOHNSON. I would appreciate it if you would get those.

[The following was subsequently received:]

When the Secretary of Defense submitted his report under the Base Closure and Realignment Act to the Congress in January 1989, it was not intended that the military positions at the installations involved would be eliminated. They are being transferred to other installations. If some of these people are discharged in the future, it will be part of the overall force structure changes and reductions.

Mr. RAUNER. I may point out a typical Air Force base would have about 4,000 active duty military members and usually between 300 and 400 civilian employees.

Those are the kinds of numbers at McClellan Air Force Base, Norton Air Force Base, Mather Air Force Base. Those are ball park numbers.

Mr. MATSUI. If I may ask the gentlewoman to yield.

Did you say Mather has that number?

The gentleman made a misstatement if that is what he said.

Mr. RAUNER. Mather. I said the typical Air Force base.

Mr. MATSUI. Mather isn't typical. Neither is McClellan, the Sacramento Army Depot. It is interesting that you are involved in this, you don't know what a typical base is.

Mather has 4,000 civilian employees. The Army depot has 4,000 civilians, very few military. McClellan has 18,000 civilians, very few military.

Mr. RAUNER. Yes, I know.

Mrs. JOHNSON. We do need to look at those more carefully. CBO estimates that over the next 5 years only 2,000 will be unemployed as a result of base closing; 2,000 that is the CBO estimate.

Having served by proxy on a base that closed, it turned out to be an absolutely enormous boon to the community it was in.

The small community that bought the air strip at this Air Force base readily employed a lot of civilian employees that maintained planes and did other things.

They turned the buildings into a community college. The housing was sold on the market. This community was so glad to get rid of the Government and so pleased to gain control of the resources. So I think we can't jump to conclusions about what the impact of base closings is going to be.

But we certainly need better figures than we have now.

I think we are seeing that we need to align our resources, Mr. Van Erden, to be sure that rather than extending benefits, we can get people immediately into the retraining program, support them

with stipend and retraining costs and assure they have access to health care.

All those things are possible under the existing program if we are sure that the resources are in place.

Before the base closing bill, your office had been in place for many years; hadn't it?

Mr. RAUNER. Since 1961.

Mrs. JOHNSON. Perhaps you don't have today, but perhaps you could provide to the committee some of your historic experience with base closings and its impact on communities and its impact on employment.

Mr. RAUNER. Yes. I would be pleased to do that.

Mrs. JOHNSON. Thank you.

[The information is being retained in the committee files.]

Acting Chairman DOWNEY. I thank the gentlewoman for an entirely new perspective on base closings which she may want to share with some of our colleagues.

The gentlewoman from Connecticut.

Mrs. KENNELLY. I would like to come back to my own community and what we are facing.

What I worry about, Mr. Van Erden, I know where you are coming from. I am sure you have looked at this legislation.

You have a corporation that is very well off, doing well.

One of its subsidiaries does defense work.

Do you think under the Downey-Stark proposal, as it stands, that a person employed by the defense contractor subsidiary would be protected.

Mr. VAN ERDEN. Under your proposal?

Mrs. KENNELLY. Yes. The Downey-Stark proposal.

Mr. VAN ERDEN. I don't know the specifics as to how you designate an impacted area.

Mrs. KENNELLY. You haven't looked at Downey-Stark?

Mr. VAN ERDEN. I haven't seen the legislation yet. I don't think it is written.

Mrs. KENNELLY. The piece we have before us?

Mr. VAN ERDEN. My understanding is you would designate plants if they were impacted. What you are asking me is if this is not a primary plant that is impacted, but, in fact, a subsidiary?

Mrs. KENNELLY. Let me give you an example. I have United Technologies Corp. located in my State. Part of United Technologies is Pratt & Whitney. People may be laid off due to defense cuts from Pratt & Whitney, yet United Technologies is doing very well.

Under this proposal, will Pratt & Whitney be able to be protected and be able to claim what we are trying to give them?

Mr. VAN ERDEN. Under the Downey-Stark proposal?

I could only guess at this point and say if they are directly impacted, under that proposal, they should be. Under the EDWAA program, they would be. They would be dislocated workers.

Mrs. KENNELLY. The way life is right now, they would be protected?

Mr. VAN ERDEN. Yes, ma'am.

Mrs. KENNELLY. I would ask you if you would take a look at that. There is a possibility of this going forward so that we want to make

sure that those people who are dislocated because of defense cutbacks have a chance.

Mr. VAN ERDEN. Mrs. Kennelly, if I may add?

I don't know the specifics of the targeting mechanism the bill would use—but I think it would be fair to say anyone who is covered under the Downey-Stark bill would be covered under EDWAA. EDWAA would in fact go beyond the coverage of Downey-Stark.

Mrs. KENNELLY. You need to go a step further. You have very small companies supplying these large companies.

You want to make sure they are protected.

Mr. VAN ERDEN. Again, they would be protected under EDWAA. If I may go a step further, if a base closes and a local grocer is dislocated because they no longer have the customers, that dislocated grocer could be covered under EDWAA. That is a community impact.

EDWAA defines him as a dislocated worker. They are not likely to return to their job. Even sole proprietors would be covered, people ineligible for UI.

Mrs. KENNELLY. May I request you take a good look at the proposal. There is nothing worse than going home, saying you are going to do something to help somebody in the legislation, it comes out, and it doesn't do it. I am concerned about this.

Thank you very much.

Acting Chairman DOWNEY. Mr. Levin.

Mr. LEVIN. Thank you.

Mr. Van Erden, let me ask you a few questions.

I very much respect the specialized knowledge that you and your colleagues have and your professionalism.

Let me push you a bit on your thesis.

I am particularly interested in two questions: its cost and its coverage. I am attracted to title III because of its universality, but I am very concerned about its coverage and how you pay for it.

First of all, let me take the coverage. People have to enroll in a training program by their 13th week. Take the layoff of McDonnell Douglas or an industry that is defense-related where you have highly specialized personnel and highly trained.

Now is EDWAA going to be responsive when you get layoffs of 20,000, 25,000 people, say, or 15,000, or 10,000 from the same company?

What will they be trained for?

Mr. VAN ERDEN. Mr. Levin, under the EDWAA program, those decisions, in terms of the actual training and the kinds of skills and occupations they will be trained for, are left at the local and State level where there are folks on site.

Mr. LEVIN. I understand that. Be realistic. I am as you know, very much, in favor of training programs. I think most of the training programs we are referring to were inaugurated, were initiated, were thought up by people within these halls.

I have been a strong advocate of training programs. Let's talk about the coverage.

Is it realistic, is it going to work that you have 10,000, 15,000 highly skilled people in the aviation industry, let's say, defense-related, laid off, they are going to enroll by the 13th week in a retraining program in order to get unemployment comp?

Mr. VAN ERDEN. They already get the unemployment comp. To get the additional needs related payments beyond the 26 weeks, the law requires them to be enrolled in a training program by the 13th week.

Mr. LEVIN. You will have 5,000, 10,000, 15,000 highly specialized personnel who are going to be advised, I assume by their union or perhaps even by management. You must register in a training program by the 13th week to gain benefits beyond your 26th week?

Is EDWAA really able to handle that?

Mr. VAN ERDEN. I think you are asking me two questions. Is the infrastructure there to handle that?

The answer is yes. The question is, can you identify enough different kinds of training schemes that would lead to employment for these individuals after they were trained?

So far in the EDWAA program we have had a 70 percent placement rate after individuals have gone through training.

If you are talking about areas which have massive dislocations in a concentrated area, we have to work with the State economic development people.

As we heard from the people from the State of Washington, no single program is going to solve the problem. EDWAA helps. EDWAA provides training.

It provides relocation assistance.

Mr. LEVIN. I understand that.

Mr. VAN ERDEN. You need to also look at economic development issues.

Mr. LEVIN. If you as a professional are saying to us that title III can serve as a proxy for an extended benefit program, you really believe that?

Mr. VAN ERDEN. The law allows——

Mr. LEVIN. Don't tell me what the law says. I want to know your view as a respected professional.

Now we are talking about concentrated labs. As you know, I am in favor of universality. I don't intend to sit idly by while we have a highly diverse impact regionally. It isn't because I come from the midwest.

I don't favor that kind of national policy. But you seem to be saying to us that title III can serve as a proxy for an extended benefit program. I don't see how that is realistic if you have major concentrated layoffs in aviation or in the lumbering industry or whatever.

Mr. VAN ERDEN. If you are saying can a $463 million program substitute for a $5 billion extended benefit program, the resources aren't there to do it. That is true.

Mr. LEVIN. I think that is an honest answer. What you would have in many of these States is everybody signing up before the 13th week, and the training program would become a mirage. Many of these people would not be retrained immediately because they would be highly skilled.

They would be looking for work of a similar nature. And there would not be any kind of an employment opportunity, a meaningful one in their community.

Let me just ask you one other question. I just want to go through the mathematics.

This gets back to Mr. Downey's questions.

Fifty thousand people, the average weekly unemployment check in the country is $150, more or less. Just 50,000 people, how many were laid off at McDonnell Douglas in St. Louis?

Mr. VAN ERDEN. I think the total was around 17,000. About 8,000 in California.

Mr. LEVIN. I am taking a modest figure nationally. Fifty thousand at $150; that is $7.5 million weekly, right? OK.

You have $100 million cap on the benefits you can pay. That is 14 weeks. For every 50,000 people.

Now, are you saying to us that that is an adequate national dislocation program?

Mr. VAN ERDEN. I think what we are talking about here, sir, is can we compare your proposal for $5 billion to $100 million.

Mr. LEVIN. I am not asking about the $5 billion.

Mr. VAN ERDEN. If EDWAA was funded at a higher level, then you could provide more benefits.

Mr. LEVIN. So your testimony really is that the program may be in place if we fund it adequately?

Mr. VAN ERDEN. We believe the infrastructure is in place.

Mr. LEVIN. If it is funded adequately?

Mr. VAN ERDEN. We believe the funding currently available is adequate.

Mr. LEVIN. Barring major changes. When you say currently, you mean through September 30 of this year?

Mr. VAN ERDEN. EDWAA is kind of unique. It is funded on a program year. The $463 million we have for this program year became available July 1, 1990.

Mr. LEVIN. You are coming here and suggesting it is financially adequate. At the same time, you are suggesting we not extend the point 2 percent sector.

I want to conclude by saying if there is any feeling among us on this side of the aisle—and I think it is beginning to go on the other side of the aisle—it is the end of promises that in advance clearly cannot be kept.

For you to say from a budget point of view with major dislocation that $100 million program is going to be adequate, I don't think that is credible if there is major dislocation in the economy.

I know the spot you are in. You are under constraints in terms of funding. I admire your pleas for integrity of title III.

But don't expect us to believe a good program will work if it is poorly funded or inadequately funded.

Mr. VAN ERDEN. I would not expect you to believe that.

Acting Chairman DOWNEY. Mr. Stark.

Chairman STARK. Mr. Van Erden, could you explain to me how under your program, a Federal civilian employee would receive health care? How does your program provide health care?

Mr. VAN ERDEN. As I said, Mr. Stark, we would defer to our friends on the panel for the health care issues. I only added that there was a statement made that you cannot get health care at all under this program.

I said under the current EDWAA program, if health care is required as a condition of entering into training for the individual,

then you could have health care provided for that individual while they were in training.

Chairman STARK. But there is nothing in your program that offers a medical insurance program to those people who are laid off; is that correct?

Mr. VAN ERDEN. That is correct.

Chairman STARK. You are a Federal employee?

Mr. VAN ERDEN. Yes, I am.

Chairman STARK. Do you recall just offhand which option you signed up for, if you don't mind telling us?

Mr. VAN ERDEN. GEHA.

Chairman STARK. Are you familiar with Blue Cross/Blue Shield?

Mr. VAN ERDEN. I know of it.

Chairman STARK. Actually, you are entitled to COBRA-like benefits. So, heaven forbid, you were laid off, do you know what the average unemployment insurance payment is across the country?

Mr. VAN ERDEN. I think it is $250 actually right now.

Chairman STARK. A month?

Mr. VAN ERDEN. $150.

Chairman STARK. $150 a week?

Mr. VAN ERDEN. Yes.

Chairman STARK. $600 a month; right?

For Blue Cross standard option for a family, do you know what the extension would cost you under COBRA? $314.

Now, can you explain to me how a family of any size can live anyplace in this country on $286 a month?

Mr. VAN ERDEN. We could go on——

Chairman STARK. I am just trying to point out to you that there isn't health insurance available.

Mr. VAN ERDEN. I am not arguing that fact.

Chairman STARK. I suspect we will hear from other panels who have a less piranha-like attitude to unemployed workers that health insurance is probably one of the major concerns of people who find themselves unemployed. So I hope that the Labor Department will not end up like the Health and Human Services Department where the Secretary is referred to in the press as Dr. No. That, to me, is not a kinder and gentler way to approach these problems.

Thank you for your testimony.

Acting Chairman DOWNEY. Thank you.

I want to thank the panel for this testimony.

The subcommittee will hear from its last panel comprised of representatives from the AFL-CIO, William F. Cunningham, and the National Tooling & Machining Association, Mr. Matthew B. Coffey.

STATEMENT OF WILLIAM J. CUNNINGHAM, LEGISLATIVE REPRESENTATIVE, DEPARTMENT OF LEGISLATION, AMERICAN FEDERATION OF LABOR AND CONGRESS OF INDUSTRIAL ORGANIZATIONS

Mr. CUNNINGHAM. Mr. Chairman, we appreciate being here. I guess we are billed as a nonpiranha panel.

The AFL-CIO supports the Downey-Stark amendment. As the chairman knows, we supported the unemployment compensation

reform package which we think should be enacted at the appropriate time.

I have a quick statement to get through what we are doing and then comment on some of the questions that were raised.

The AFL-CIO strongly supports the reduction in defense expenditures as a component in restoring fiscal integrity of the Federal budget.

However, our efforts in this area are not without concern about the plight of the military, civilian and defense production workers who will lose their jobs as part of this defense reduction. We have been working with House and Senate Members to develop an economic conversion package to ease the burden of these workers dislocated by the defense reductions.

As members of the subcommittee may be aware, a modest economic conversion package will be considered as part of the DOD authorization bill which will be taken up in the fall.

AFL-CIO strongly believes that such a package must contain a provision similar to the Downey-Stark amendment for dislocated workers both union and nonunion. A loss of income and health insurance represents twin obstacles in the effective job search.

Lest anyone be concerned and as was mentioned before, this new program does not represent a major boon to workers and will not discourage them from looking for new employment.

First, the average unemployment compensation benefit is $150 a week. For skilled defense workers, this is a big reduction in their take-home pay.

Presently they take home between $400 and $500 a week. $150 is not a magnificent sum.

We must point out that as the Stark component of this thing also requires people to pay for COBRA benefits for the first 5 months to maintain all health insurance. This means that the out-of-pocket expenses for workers will be about $2,000 before they become eligible for Medicare. However, it is important to basically get them to be Medicare eligible.

As was pointed out by Congressman Wise when he was here, the House of Representatives has also addressed one of the central questions surrounding this approach in his amendment in the Clean Air Act.

Does the Federal Government have a special responsibility to workers displaced by radical changes in Federal law regulations? The Wise amendment which passed on a vote of 274 to 146 indicates that the House is already taking a position on the proposition that major changes in Federal statutes require additional Federal programs.

As the subcommittee knows, the Downey-Stark amendment goes beyond that. It basically covers the Base Closure Act, Defense appropriations prospective from 1990, Clean Air Act changes, which are presently in conference and the job loss caused by the Endangered Species Act.

I know Mr. Levin has been very concerned with the issue of what about workers not covered under this act? Shall we distinguish between types of dislocated workers? Given a different budgetary situation, the AFL-CIO would support extension of all these benefits to all dislocated workers and, indeed, significant portions of our

support for the overall unemployment compensation reform was changes made in the extended benefits programs which paralleled the ones in the Downey amendment but that bill did not go incidentally to the issue of Medicare which we think is very important and necessary.

I think the bottom line in listening to the many debates that went on here this morning is that if we can not cover everybody, we will cover nobody. That is basically the bottom line in this whole debate.

Our view is that these workers will be dislocated, will be out of work unfortunately for a longer time than most of us would like and they do need special attention. Your proposal has the advantage that other proposals don't. You remember as you were talking to the Department of Labor, Congressman Levin asked about new funds. The Department of Labor tried to make the best face on it.

I don't think Richard Darman is going to approve a $1.5 billion for dislocated workers over and above the existing budget.

It will not happen. It will not happen as part of this budget summit that is going on.

It will not happen in next year's budget. So there will be no funds for it.

The beauty of this approach from our perspective is one that you well know. You basically raise the taxes to pay the benefits. That is very important.

It is interesting as I walk around trying to find out what is going on in the budget summit and can't get information on this side, so I go to the other side, I have found that it— it has been reported to me the Republican package is already taking care of your 0.2 percent. It is looked at as revenue enhancement.

From the Republican side at least, and perhaps from the Democrat inside, this money is already accounted for. So the idea employers will be paying an additional tax they wouldn't be paying to otherwise is not there. I think when this budget process gets through, that these taxes will be in place.

We would hope it would be used for workers, these set of workers. If it is not, it will be used for deficit reduction.

Mr. Gradison raised several issues about using Medicaid. I think there are some real problems with using Medicaid, aside from the political problem. This committee has never been one to basically raise Federal tax revenues and give it to the—Energy and Commerce Committee to pay for a Medicaid program. I don't think that is going to change.

There is one thing. First of all, UI is not means tested. Medicaid is means tested. So, you have another bureaucratic determination to come in place. Second, Medicaid requires a 50 percent State copay. Most States, that I am aware of, are basically explaining the Federal Government pull out in many areas is costing them more and more money.

Indeed, the reaction of Governors and State legislators last week to basically the Republican proposal to cap State and local income taxes basically focused on this as a thing that the Federal Government is basically pulling out. States have to do it.

Third, there is a technical problem you should be aware of in Medicaid, too.

I think in States like New York, Ohio, and California Medicaid benefits are not usually available in all sectors of the economy.

In New York, I am informed doctors for the most part do not accept Medicaid benefits. So you—if this amendment passed and did Medicaid financing, a lot of workers you represent would probably not get the benefits.

Mrs. Kennelly's problem about subsidiaries within a corporation is one that has to be looked at carefully and addressed. There are many corporations that basically have subsidiaries whose workers can be certified as being thrown out by the defense budget but basically may be in an overall calculation of the corporation would not qualify.

I think that has to be looked at.

I think these are our comments, Mr. Chairman. We do believe that this self-financed program is an important addition to the dislocated worker issues that are coming up.

The Clean Air Conference will be finished we believe by the middle of October. We will have a new statute in this area.

For Mr. Moody who was concerned he did get any defense bases or any defense contracts, I would only point out he does have a significant auto industry.

The auto industry will be impacted by the Clean Air Act, we are informed, some facilities will be closing down because of new clean air standards. Therefore, some benefits from this approach would go to his workers.

The bottom line is we would like to see all workers covered. We know the money is not there.

The continuation of the 0.2 percent tax is the best way we can figure of going. We would hope it would be included in the defense budget to basically do that.

Thank you, Mr. Chairman.

[The prepared statement follows:]

90-29

**TESTIMONY OF WILLIAM J. CUNNINGHAM
LEGISLATIVE REPRESENTATIVE
AMERICAN FEDERATION OF LABOR AND CONGRESS
OF INDUSTRIAL ORGANIZATIONS
BEFORE THE SUBCOMMITTEE ON HUMAN RESOURCES
OF THE HOUSE COMMITTEE ON WAYS AND MEANS
U.S. HOUSE OF REPRESENTATIVES
ON THE DOWNEY-STARK AMENDMENT TO PROVIDE CASH AND
HEALTH INSURANCE BENEFITS TO DISLOCATED WORKERS**

August 1, 1990

Mr. Chairman, the AFL-CIO appreciates this opportunity to testify on the Downey-Stark amendment that provides a new adjustment assistance program and Medicare eligibility to workers who have been dislocated as a result of federal governmental action.

For the record, the AFL-CIO supports H.R. 3896, the Unemployment Compensation Reform Act of 1990 and the Downey-Stark economic conversion amendment. We have testified on H.R. 3896 earlier and wish to devote our testimony to the Downey-Stark proposal.

The AFL-CIO strongly supports the reduction in Defense expenditures as a key component in restoring fiscal integrity to the federal budget. However, our efforts are not a mindless pursuit of cuts in Defense expenditures without concern about the plights of military, civilian, and defense production workers who will lose their jobs as a part of this defense reduction. For the record, we have been working closely with the House Leadership to develop an economic conversion program to ease the burden of workers dislocated by the Defense budget reduction and to promote their ability to find new employment in the shortest time possible.

As Members of the Subcommittee may be aware, a modest economic conversion package will be considered as a part of the DOD Authorization bill which will be considered early in September. The AFL-CIO believes strongly that such a package must contain provisions similar to the Downey-Stark amendment. For dislocated workers, union and non-union, a loss of both income and health insurance represent twin obstacles in an effective job search. The Downey-Stark amendment provides for an extension of unemployment compensation and eligibility for Medicare benefits after the first 26 weeks of regular UI eligibility. Less anyone be concerned that this new program represents a boon for workers or will discourage their search for new employment, two facts should be kept in mind. First, average unemployment compensation benefits replace only a third of a worker's prior wages. Tragically, just a third of the unemployed qualify for the program. This means that skilled defense workers who are thrown out of work will get approximately $150 a week, a family hardly a munificent sum for an individual let alone a family. Since Defense workers average between $400-500 a week, few if any, will volunteer to continue to be unemployed to get these new benefits. Second, Medicare would only be available for those dislocated workers who remain unemployed for more than six months. Even then, Medicare coverage would be offered as an option contingent on the dislocated workers paying the Medicare Part B premiums. Health insurance coverage for the initial 26 weeks would be available only under existing COBRA options at a cost to workers of approximately $2,000.

Perhaps the central question surrounding this approach is: Does the federal government have a special responsibility for workers displaced by radical changes in the federal law? There is legitimate debate over this issue. But I remind the Committee that the House has taken a position on this issue. By adopting the Wise amendment to the Clear Air Act by a vote of 274-146, the House is already on record that significant job loss caused by changes in a federal statute requires an additional federal program. As the Committee knows, the Downey-Stark amendment provides benefits in only those situations in which federally-caused job dislocation takes place: Base closures, Defense cuts, 1990 Clean Air Act changes and protection of species under the Endangered Species Act

A related concern, and one that I know concerns this Subcommittee, is a differentiation between eligible workers under this program and other long-term dislocated workers who will not be eligible. Given a different budget context, the AFL-CIO would press for these additional benefits for all dislocated workers, but we are realistic. Therefore we support the Downey-Stark approach as a prudently-drafted, fully-financed amendment that addresses a serious problem. Again the justification is that it is federal government action which causes the worker's unemployment.

Another issue raised by this legislation is the problem of administration. At the time this testimony was being drafted, we did not have the benefit of the DOL's analysis. However, it is fairly clear that in determining eligibility for benefits it should not be difficult to identify workers who lose their jobs because of Defense reductions. We know that under the Base Closure law, 80 military bases will be shut down and thousands of workers will lose their jobs. These workers are easily identified. On the other hand, it does not strain credibility to believe that a Defense manufacturer will be able to certify which workers were released because of a cancellation of the Defense contract. Certification of those who would be eligible for adjustment benefits under this amendment could be administered in a fashion similar to that for the TAA program. One of our affiliated unions, the International Association of Machinists, has testified that they have identified some 10,000 members who will lose their jobs at bases and production facilities. Therefore, we believe that employers at these facilities will have little trouble certifying workers for this new program.

Also Mr. Chairman there is a concern about extending the surtax that will fund this program. It has been reported that the surtax has already been earmarked in the Republican Budget proposal as a revenue enhancement. We believe it is more prudent for the government to use these funds for the Downey-Stark amendment.

Finally, Mr. Chairman the AFL-CIO wishes to compliment Chairman Downey and Chairman Stark for putting together this proposal. This type of approach will help insure a successful economic conversion effort and the AFL-CIO endorses it.

Acting Chairman DOWNEY. Mr. Coffey.

STATEMENT OF MATTHEW B. COFFEY, PRESIDENT, NATIONAL TOOLING & MACHINING ASSOCIATION

Mr. COFFEY. I would just like to submit my statement and make a few comments.

Acting Chairman DOWNEY. Without objection, it is so ordered. Both of your statements will be in the record.

Mr. COFFEY. I have a few comments to make about the manufacturing economy and how that amendment would impact.

This the third time in the past month I testified on this subject. The Banking Committee, the Armed Services Committee and now here at Ways and Means.

I appreciate your invitation. I think there are macroeconomic issues that were not addressed here today that need to be understood.

Then we can talk some about what I view as a way to make the training provisions of this amendment much more effective. First, we have to understand there are 19.1 million people employed in manufacturing in this country.

About 38 percent of them, or 7 million, are employed in companies with more than 500 employees. So there are about 6,000 companies with more than 500 employees. They employ about 38 percent of the work force.

Some 11.8 million, or 68 percent of the work force, is employed by companies with fewer than 500 employees, the bulk of whom are privately owned companies.

We have over the last 8 years partly because of military spending and partly because of a radical change in competition going on in the world scene, a tremendous growth in employment in those small companies. It is estimated that over the last two decades you have seen a decline in employment in the 500 corporations of almost 1 million employees and in that same period of time, you have seen an increase in employment in the smaller companies of 1.4 million employees.

So the small companies are growing at a faster rate than the large companies are shrinking.

Clearly, since the Second World War, the United States has had a policy of being the policeman to the world and has, in fact, distorted the commercial economy with its investment in military spending.

That now appears to be coming to an end.

As that occurs, I think that the Downey-Stark amendment clearly recognizes there is going to be some impacts, and in the Armed Services Committee, those impacts were said to be from defense cutbacks.

Approximately 115,000 jobs a year, totaling over 600,000 in a 5-year period.

The absorption of that number of basically skilled workers, as it were, is going to be difficult even in an economy that is expanding vigorously, and we now have an economy that seems to be slowing down.

So while you have this continuing expansion of the small manufacturer serving the niche market, and you have seen that in California to a great extent—I know, Mr. Stark—you are about to impose on that economic system a tremendous burden; and so the problem you are trying to address really almost reminds me of an old W.C. Fields line which was, "What we have here is an insurmountable opportunity," because we have the chance to get in front of this thing if we act reasonably quickly and then try to solve the problem in a coherent way.

I think the shortcomings of your proposal—and you will see in my statement make seven recommendations for a change to the amendment in the area of training because I think what you fail to recognize in training there has to be a linkage between the employee being trained and the person who is going to employ them.

We have to make sure those mechanisms work. The one good thing about the Job Training Partnership Act system is that all those elements are together in the local private industry council.

The local private industry council includes business, includes labor, includes the community-based organizations, includes all the groups that you need to have solved in a dislocation of this sort.

It has the advantage of being a delivery system in place that knows the labor market need.

I happen to represent an industry that is in a demand situation. We are never able to fill all the jobs in our business. The tool and die industry is a highly technical industry.

It is an industry that is on the cutting edge of technology at all times because you can't have new technology unless a toolmaker can make that tool to make the new technology possible.

So we are constantly looking for people.

We have, as an industry, started 11 of our own schools. We have identified over 75 communities colleges that we think are serious about training people to work in manufacturing. That is a system that needs to be developed and nurtured, and I think if you could adopt a system similar to what is done in California, then I think we might have the resources to be able to do the training the right way, to make those connections between the person that is going to do the employing of these skilled people and the person that is

going to do the training of these people and the employer that is going to get rid of these people.

I think that that is the shortcoming I see in the training provision. If you put $100 million cap on the training provision, you are basically saying that you are going to train 50,000 people for 12 weeks, because that is what it costs. Our companies, average size 23 employees, spend—according to the Navy Department's study of our companies—spend $1,250 per year per employee just upgrading our people. $100 million up against an anticipated 115,000 defense workers, let alone whatever will be in it by Clean Air Act, Endangered Species, all these others is not going to go very far in trying to address this problem.

If we could have some sort of set aside program somewhat similar to the California employment panel program which presently exists, has been in existence for 5 years, highly successful action, I think you may well have found a linkage that will actually get these people working before they ever need that second 26 weeks of unemployment compensation.

So I would urge you to seriously consider those recommendations in our testimony and we would be happy to work with you and the staff to try to refine those.

[The prepared statement follows:]

STATEMENT OF MATTHEW B. COFFEY
NATIONAL TOOLING & MACHINING ASSOCIATION

Mr. Chairman and Members of the Committee, the National Tooling and Machining Association appreciates the opportunity to appear before the Committee today to discuss the Downey-Stark Amendment to H.R.3896, the Unemployment Compensation Reform Act of 1990. We believe the concern motivating H.R.3896 is justified. The Downey-Stark Amendment seeks to promote economic stability and ease the adjustment of workers displaced because of reductions in defense spending, the Clean Air Act Amendments of 1990, and the Endangered Species Act. From a business point of view the amendment represents a healthy display of responsibility. Since the government is creating economic dislocation by its actions, it should be willing to pay to alleviate it.

The Downey-Stark Amendment addresses the need for retraining of skilled workers who face limited opportunities for re-employment in their field. The Downey-Stark Amendment would authorize a five year economic adjustment assistance program for dislocated workers patterned after the current trade adjustment assistance program.

With the massive reduction of the defense budget, the implementation of the Clean Air Act and the Endangered Species Act, workers need assistance. NTMA believes, regardless of the reason for the dislocation, all affected workers can and should be retrained for real jobs. However, eligibility for allowances and benefits should be tied to productive employment opportunities that exist in the labor market, not some vague notion that work will be there once training is completed. We believe there must be a tie made between economic assistance for the individual and real labor market demand for workers, or the amendment will be little more than a federal handout.

At the present time, the economy is continuing, albeit at a slowed place, its eighth straight year of expansion. That expansion was fueled in part by military spending and in part by an explosive growth of small and mid-size manufacturers. These small flexible companies have grown to serve the niche markets that have developed due to changing values in the American society.

While the top 1,000 employers have eliminated 400,000 jobs over the past eight years, the 349,000 small to medium size companies have added 1.4 million jobs. Small companies are where the growth is and that's where the jobs will be in the near term.

I would assert, therefore, that we need new thinking to prepare workers for the future. We need new approaches that the Downey-Stark Amendment does not take into account. Let me suggest seven ways the amendment's intended purposes can be met.

1. If the Unemployment Compensation Reform Act of 1990 is going to be amended, consideration should be given to creating a set-aside for training. The state of California has already shown the way with its Employment Training Tax. This approach sets aside one-tenth of one percent of taxable wages paid by employers with positive reserves in their unemployment insurance accounts up to a total of $55 million per year. Those funds are allowed to accumulate interest which is also available for training and can be carried over from year to year. The funds must be spent on a project that actually puts people to work not in training for training's sake. If adopted as a federal approach, I would see the funds being disbursed through the existing state Service Delivery Areas (SDAs) under the Job Training Partnership Act.

The JTPA mechanism already has active involvement of business, labor, community based groups and government at the state, county and local level. It only needs to have its role expanded with sufficient funds to accomplish the new mission. The new role could be stated as:

A. Satisfying the demands of business for well trained, skilled workers; and,

B. Putting the maximum number of eligible participants to work by insuring efficient operation of training programs and the availability of jobs for all who successfully complete training.

2. Provide funding for retraining expenses for the employing company where a change of industry is involved for the worker.

3. Provide funding for relocation expenses for individuals having to relocate to find employment in a different industry.

4. Provide upgrade training of present workers to broaden their skill base and keep the company competitive, if possible.

5. Provide funding for the purchase of curricula, texts and materials by industry training centers, and junior and community colleges which bear the burden of the retraining effort.

6. Provide funding for state-of-the-art equipment so that these training institutions can retrain workers on the latest technologies.

7. Trade associations, already actively engaged in training activities, should be eligible to manage national training programs to assist small manufacturers.

If this seven point program is enacted, we can fundamentally change the U.S. competitive environment by incentivizing human capital development. It is important to start before people are laid off, not after.

We think you need to make the permanent preservations of jobs the preferred alternative. Enable companies to compete in the commercial sector while retraining. Make the last option the provision of extended benefits to unfortunate workers whose employers cannot find a way to use the funding, to become commercially competitive and retain the workers' jobs. While retraining in another field may help those workers find another jobs, they will have to enter a new field at the bottom, even if jobs are available. The preferred solution is advanced skills training in their present occupation with their present employer so the company can adapt to the commercial marketplace.

The Downey-Stark Amendment would provide benefits to certified and qualified dislocated workers to receive cash benefits, training, job search allowances, relocation allowances, and health insurance. NTMA believes that benefits should take the shape of payments or credits for retraining through existing mechanisms. Regardless of whether the good employee is dislocated because of defense cutbacks, or the Clean Air Act or the Endangered Species Act, they can be retrained. The program benefits should be targeted toward that retraining through vouchers, for example, for retraining assistance.

Under Section C(4) Worker Qualifying Requirements, allow flexibility in the definition of an approved training program. Let the ideas include traditional training approved by the Labor Department or a state agency, and let them include new non-traditional advanced skills training. Let them include loan guarantees, direct loans, purchase agreements, or anything else the combined thinking of employers, workers, state or local governments, unions, associations, or educators come up with. Commensurately, we support the provision for employers to claim the targeted jobs tax credit for employing certified and qualified dislocated workers.

Since 1964, NTMA has been conducting high quality pre-employment training programs for the contract special tooling and precision machining industry which have been funded by our member companies assisted by a series of contracts negotiated with the U.S. Department of Labor. This program is recognized as the single largest, and most successful, federally-assisted, skilled workforce feeder program for the metalworking manufacturing industry. Classes have been conducted in over 120 different communities, in 28 states across the country. This program is

an outstanding example of a delivery system providing progressive and innovative skills training which should be considered for implementation under the Downey-Stark Amendment.

There should be assurances that funding will go to the state and local government and that the state economic development organization is part of this decision-making process. Funds should also be made available for an equipment leasing program. This would enable small manufacturers to obtain state-of-the-art equipment more quickly and act as an additional route to diffusing technology. A grant program would be a good method for the purchase or lease of equipment to be used actively in training. Such actions will keep our industrial base strong and help us regain our competitive edge.

The training and retraining needs of the country are vast now and will become more critical as shifts in federal policy toward the environment and national defense raise the specter of substantial increases in unemployment in communities throughout the United States. We urge the Committee to consider retraining to be a top national priority and to accommodate these needs through fiscally responsible incentives to dislocated employees and to hiring employers.

NTMA is a non-profit organization composed of nearly 3,200 contract precision machining, tool, die, mold, diecasting and special machining companies throughout the U.S. The industry is made up of highly skilled craftsmen and women who custom design equipment used to manufacture, by mass production, the precision parts and components used in every industry from aerospace to household appliances and automotive to electronics. NTMA member companies have an average of 22 employees, and the industry generates sales of $25 billion annually.

Mr. Chairman, this concludes my statement. I will be happy to respond to any questions you, or the other members of the Committee, may have.

MANUFACTURING TRAINING

A Paper of the Economic and Public Policy Task Force
American Agenda for Leadership In Manufacturing and Technology
June 15, 1990
by
Matthew B. Coffee, President, National Tooling & Machining Association

Manufacturing training has since the middle ages operated on an apprenticeship model for skilled trades. In the last decade of the twentieth century, many forces are present which force all manufacturers to reconsider manufacturing training. These forces are discussed in Workforce 2000 and in Made In America from a macroeconomic perspective.

America is undergoing a major manufacturing transition. Large vertically integrated companies are tending to outsource manufacturing of major portions of product, even including design of the product. This has resulted in an explosion of "foundation firms." For purposes of this paper, foundation firms are small manufacturing firms with fewer than 500 employees. Employment figures often cited indicate that the top 500 companies in America have lost 400,000 jobs during the 1980's, whereas small manufacturing firms with fewer than 100 employees added 1,300,000 employees.

As major firms have "hollowed out" their vertical organization they have slowed the amount of training they provide to workers. This, in addition to the problems in elementary, secondary, and vocational education, has created a downward spiral in qualification of entry level employees. The training task has shifted to small companies without human resources staffs and with an external delivery system that is troubled.

As small manufacturers attempt to cope, they are bombarded with advice on what needs to be done. They are told to develop a copy of the "German apprenticeship system" or to install Japanese-style training. The fact is that these answers are simplistic and refuse to consider the diversity of the American problem with training.

America does not lack training resources in terms of the number of approaches. Manufacturing training exists and is multifaceted. The problem is that interest in training is low.

Major corporations are forced by GAAP accounting principles to consider training as an expense, not an investment. With the increasing speed of the introduction of technology (an investment) we are missing out on investing in the people who will make technology work. Expensing training does not help short term profitability which appears to be the first priority of major corporate CEO's.

Small manufacturing companies have multiple problems with training. Training is costly and does not create an obligation on the part of the trainee to work for the company. Major corporations who no longer train, raid or pirate the trained person, pay them higher wages, and avoid incurring the expense of training. The tendency in these foundation firms is to train a person narrowly in order that their work produces profit, not a well-rounded craft worker.

Parents have a low opinion of encouraging their children to enter manufacturing training. Since World War II, the extreme emphasis on college as "the goal" has exacerbated a perception that vocational training is second class. For parents to send their children into manufacturing training is an admission that the child is a failure to an important, highly emphasized American value.

Elementary and secondary school administrations, teachers and counselors get their prestige from the number of their students who go to college, not from the number who know how to program and run a computer-assisted design system, or a computer numerically-controlled machine tool. It's sad to note that most teachers don't know what a CAD system or CNC machine tool is or can do. All too often, individuals, regardless of age, have low interest. If older, they resist learning new things. If younger, they demonstrate so much interest in quick cash they lack the patience and persistence required for a technical preparation education program which

links the last two years of high school with two years of community college education, leading students to an Associate Arts degree and technical skills competence, with basic academic skills and employment.

Studies document that parents are still the major influence on young people's decisions for careers. Manufacturing is facing a skills shortage in part due to perceptions of parents.

Many models for training exist in America. There is a wide perception by foundation firm owners that with few exceptions the secondary school vocational education programs have failed. This failure can be traced to policies of schools to dump troublemakers and the uninspired into vocational programs. These firms need workers with aptitudes in math, metallurgy, spatial relationships and computers. Students are put in vocational programs at the secondary level because they lack these aptitudes and interests, and, therefore, the system has lost credibility with its customer base.

In an attempt to cope, employer consortia have been formed by foundation firm owners to conduct their own recruiting and training. These consortia exist locally, regionally and nationally through trade associations. They succeed to the extent of funding and to the extent the consortia can control pirating.

Proprietary training can be very effective where there is a direct tie in with local employers. Unfortunately, proprietary training for profit schools often gets tainted with scandal for poor training and schemes to manipulate federal student loan programs so they suffer from a public perception based on mistrust and profiteering.

Federal training is limited to programs for the disadvantaged. The Job Training Partnership Act has been the principal vehicle. While it is often criticized for poor decisions made by local private industry councils, it has had a major impact in providing upward mobility in many skilled trades over the past 25 years. Many JTPA graduates are now employers. It has proven the point that just because you are economically disadvantaged does not mean you don't have the aptitude for success. It is, as a federal commitment, a drop in the bucket when compared to the need.

Community colleges now offer the greatest hope. First, their income is based on student-hours taught. Second, their administrators have been willing to form consortia with manufacturers and their trade associations to develop curricula, textbooks and two-year degrees. There are still, however, fewer than 100 top community and technical colleges in the country that are committed to manufacturing training. This system needs nurturing.

- AMERICAN VALUES AND MANUFACTURING TRAINING -

Most Americans do not understand that wealth creation only happens in three human activities:

1) Agriculture

2) Mining

3) Manufacturing

All service sector jobs serve these three wealth-creating activities either directly or indirectly. If our standard of living is to be maintained, let alone grow, to keep pace with other economies, wealth must be created. Capital flows in a global market tend to follow wealth creation. The pursuit of service careers should not be encouraged as more attractive and better than careers in wealth-producing activities like manufacturing.

A second perception that needs to be re-examined is our willingness to subscribe to other cultures' superiority. People often say that if only American companies adopted Japanese or German training techniques our manufacturing skilled worker problem would be solved. This perception fails to take into account how much easier it is to train and educate people in a single culture versus a pluralistic culture. America has great strength in its cultural diversity, but it does make universal educational approaches extremely difficult. America has extremely diverse values until it is physically threatened. It does not have 2000 years plus of cultural development, in fact, an argument could be made that culture here is in a constant state of change.

America is in a phase of rapid economic adjustment. The differentiation of values that have been documented by Stanford Research International since World War II has led to a differentiation of products to match those values. This has led to stiletto markets creating more frequent product design changes and smaller production runs. These changes, combined with Americans' generosity in rebuilding defeated enemies while providing world-wide military stability, has created strong global competition.

Global competition has led large vertically integrated companies to reconsider the high cost of vertical integration. The trend is to shift manufacturing to a more flexible outsourcing strategy involving smaller firms. At the same time the technology in manufacturing and information systems has increased at a geometric rate.

Small firms have lagged big firms in the introduction of technology because of high initial costs, but the push to introduce technology will only continue to accelerate. The result is that small firms will need smarter, better trained workers at a time when the number of workers available and the level of their basic skills are declining.

America needs to end its paranoia about testing in manufacturing so that competency and aptitude can be measured. Equal Employment Opportunity Laws have virtually shut down aptitude and competency testing in industry. Validation of tests is extremely expensive, but needs to be encouraged by both governmental policy and company investment.

Recruiting for manufacturing suffers from a socially rooted, incorrect perception in the general society. Leadership and promotion must be directed toward giving an accurate perception of the manufacturing sectors and its economic and social value.

Manufacturers need to have a much clearer understanding of the ways young people decide what to do with their lives. Recognize the phenomenon of post secondary school drift and try to shorten the five years people tend to knock about trying to figure out what they want to do. Recognize that parents are still the single largest career influence on their children and make sure they understand the opportunity manufacturing represents. Recognize that the lockstep solutions of other countries are good to study but don't work well in our multicultural society. Applicants and employees have strong and dissimilar cultural identities -- recognize it!

State governments need to be the focus of activity in two ways. First, they fund the secondary vocational system and therefore have the best chance to rescue it. Secondly, the state economic development function should be nurturing and growing companies, not importing them. The governors and

legislatures cannot be ignored; they are potentially a large part of the manufacturing competitiveness solution.

Conclusion:

American competitiveness in a global economy can be summarized as a question of will. Do we have the will to change the perception of manufacturing employment? Do we have the will to invest in training rather than expensing it? Do we have the leadership at the federal and state government level to take us there? Are small manufacturers ready to gamble that an investment in people today is a producer of profit tomorrow?

The elements of a training system to make it possible to invest in human capital are there. They need re-examination, a change of values in many cases, and considerable nurturing in all cases.

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New Job for Unemployment Insurance

The national effort to put more welfare recipients to work could learn a useful lesson from California, where an innovative job retraining program shows results without spending new money. The key is unemployment insurance. By applying it inventively to job training, it can reduce and even prevent unemployment.

More than three million unemployed Americans collect an average of $135 a week under federally authorized unemployment insurance programs administered by states. Funds come from employers' payroll taxes. Claimants are entitled to 26 weeks a year but it's in everyone's interest that they find new jobs as soon as possible. The special challenge is to speed the re-employment of workers displaced by the shift of manufacturing jobs abroad and the rise of service industries at home.

The California Employment Training Panel, established in 1983, found a creative way to respond. Unemployment insurance funds can be used only to pay claims. The California legislature got around that requirement simply by reducing the employers' annual unemployment insurance tax by $55 million and substituting a new tax of equal amount, using that revenue to set up the Employment Training Panel.

This panel contracts with schools and employers to provide training for the unemployed and workers likely to be displaced without retraining. Costs average $2,500. The idea is to move people into careers, not dead-end, high-turnover jobs. The panel therefore withholds payment to the training program until the worker has been in a new job for 90 days.

Research through June 1986 shows that average annual earnings rose from $13,983 to $21,644 for the first 1,173 participants who completed training and held new jobs for 90 days. The average number of weeks on unemployment dropped from 5.6 to 2.1 and the average unemployment payout declined from $749 to $272. To date 15,089 have completed training and found jobs, while 7,989 dropped out. An additional 21,000 are currently in training.

One might expect opposition from business groups skeptical of Government programs and labor groups protective of unemployment insurance entitlements. Such reservations may in part explain why only Delaware has adopted a similar program. Yet in California, representatives of labor and business helped shape the program and now oversee the Employment Training Panel. It's a win-win situation for business, for workers and for the state's unemployment insurance system.

Acting Chairman DOWNEY. Thank you both for testifying.

Mr. Cunningham, I think you addressed the concern raised by Mr. Levin and Mr. Moody, that is how we explain to those workers who are not going to be receiving extended benefits that this is not an unfair program.

Your point to me, if I may recap it, is they will find workers in their community that will be eligible because of clean air or other cutbacks and that we have to start somewhere. If we have ever seen a case of the enemy being within, it is here.

Our Republican friends have said don't do this if you have the food to feed 3,000, don't feed anybody if there are 5,000 people staving because that will disappoint 2,000 hungry people.

The logic of this, frankly, escapes me. But we have, as you know, a difficult road to hoe on this committee. We appreciate your support in the past and look forward to it in the future.

Thank you very much for your testimony.

Mr. Stark.

Chairman STARK. I wanted to thank both of the gentlemen and the organizations they represent for their wise and keen approach to these problems.

Acting Chairman DOWNEY. Mr. Coffey, we will work with you on the training program. As you know, that is outside the jurisdiction of our committee.

While we have a close working relationship with the Education and Labor Committee, it is not normally close enough to work with them to get it done.

So we will take what you suggest under advisement and recommend to them that they do some of this. We appreciate that. Nobody wants to be on unemployment insurance.

I find it offensive somehow that people attempt to characterize this debate as though we are anxious to give people unemployment insurance. People want to work.

I am equally offended by the notion that people on unemployment insurance like it and want to stay there. I suspect there are some who do, but making policy about these people is hardly in our national interest.

I think they are the exceptions to the rule.

Thank you.

Mr. MATSUI. I would like to express my thanks to the two gentlemen as well.

I want to make one further observation..

Representative Johnson suggested that when we close these military bases, we will see kind of a rebirth and growth in the community. I guess my first observation is if that is true, we ought to close all the bases.

Maybe we can get over 1.2 percent growth over the last 2 months, maybe get a 3.4 percent. Second, in the 1960's in Sacramento, when I was a high school student, the Aerojet General Corp. underwent a reduction from a defense firm with 20,000 employees to 4,000 workers.

It devastated part of my community, Rancho Cordova. Homes were abandoned. Schools closed. It was an absolute mess.

I see potentially that same situation with the military bases in my community right now. I cannot believe people cannot be sensitive to this issue.

Mr. Coffey.

Mr. COFFEY. Mr. Matusi, I would point out to you there are alternative uses for the bases. There have been lots of examples like the one Mrs. Johnson used.

I would suggest to you if you have an Air Force Base that is going to be closed, you ought to be talking to Federal Express. You ought to be talking to the various delivery services who would love

to get out of the big metropolitan airports and get into an air base that is all their own.

Mr. MATSUI. That is exactly the point I want to make. I supported the closure of our base. Also, we have set up a community based organization made up of civic leaders and local elected officials. We have been working on this for 2 years.

The problem is the bases aren't free of toxic waste. There are a lot of problems attendant to these bases when they close down. We will have to parcel off a great part of that base.

No one is buying the land with toxic waste on it. More importantly, there will be a short-term temporary dislocation, probably 5 or 10 years, perhaps, because you will not see somebody come in and take the existing facilities right over.

I think that is what Mr. Downey's bill is for, for that interim period of time. Nobody is saying that land will be unused for the next 50 years. We expect it to be used within 5 to 10 years.

You have a 5- or 10-year period when these communities most need help. That is why we believe the income maintenance provision is necessary.

Mr. COFFEY. You might find it instructive to talk to local officials in Columbus, Ohio, on who had a base closing after Vietnam and now face it being closed again because they replaced it with a defense contractor who has just been cut.

Mr. CUNNINGHAM. The question on base closings as you know was it was fine when it happened in the early 1980's and late 1970's. There were other bases people could go to or be shipped to.

Now you are talking about closing the net number as you pointed out. That is going to be a real problem. I don't think the experience we had in the 1970's and 1980's is relevant for this time around.

Acting Chairman DOWNEY. The subcommittee is adjourned.

[Whereupon, at 2:15 p.m., the hearing was adjourned.]

[Submissions for the record follow:]

STATEMENT OF JAMES M. PEIRCE
NATIONAL FEDERATION OF FEDERAL EMPLOYEES

ON BEHALF OF THE NATIONAL FEDERATION OF FEDERAL EMPLOYEES, I APPRECIATE THE OPPORTUNITY TO SUBMIT OUR VIEWS ON H.R. 5479, THE ECONOMIC ADJUSTMENT ASSISTANCE TO CERTAIN DISLOCATED WORKERS ACT OF 1990. THE NATIONAL FEDERATION OF FEDERAL EMPLOYEES REPRESENTS OVER 150,000 FEDERAL EMPLOYEES NATIONWIDE AND IS THE OLDEST AND LARGEST INDEPENDENT FEDERAL EMPLOYEES UNION.

WHILE NFFE RECOGNIZES AND ACCEPTS THE URGENT NEED TO RESTORE FISCAL INTEGRITY TO THE FEDERAL BUDGET, WE DO NOT BELIEVE IT SHOULD BE ACHIEVED BY CAPRICIOUSLY ELIMINATING THE JOBS OF HARD WORKING AMERICANS. INDEED, THE UNITED STATES ECONOMY IS NOT EQUIPPED TO ABSORB THE MASS INFLUX OF DISLOCATED WORKERS THAT WOULD OCCUR SHOULD BASE CLOSINGS, REDUCTIONS-IN-FORCE (RIFS), THE CLEAN AIR ACT AND THE ENDANGERED SPECIES ACT BE IMPLEMENTED WITHOUT CONTROLS OR PROTECTIONS FOR SUCH EMPLOYEES.

WE BELIEVE THAT H.R. 5479 IS A COMPREHENSIVE PLAN WHICH WILL PROTECT BOTH THE NATIONAL ECONOMY AND HARDWORKING AMERICANS FROM THE DAMAGING AFFECTS OF INCREASED UNEMPLOYMENT. WE COMMEND CHAIRMAN DOWNEY AND CHARIMAN STARK FOR THEIR INTELLIGENT AND HUMANE APPROACH TO THE PAINFUL PROCESS OF REDUCING THE FEDERAL BUDGET AND WE PLEDGE OUR SUPPORT TO THE GOALS OUTLINED IN THIS PLAN.

WE BELIEVE THAT A PROGRAM DEVISED TO SWIFTLY INTEGRATE DISLOCATED WORKERS BACK INTO JOBS WHICH ARE CLOSE TO OR ABOVE THEIR CURRENT WORKING STATUS IS NEEDED NOW IN ORDER TO PROTECT THE DOMESTIC ECONOMY FROM THE SHOCK IT WOULD RECEIVE IN TRYING TO ASSIMILATE THOUSANDS OF UNEMPLOYED WORKERS. WHILE WE RECOGNIZE THAT THIS TYPE OF PROGRAM MAY BE OPPOSED ON ITS FACE BY THOSE WHO FEAR THE COST OF A NEW FEDERAL PROGRAM, WITHOUT ASSISTANCE TO THESE WORKERS, THE FEDERAL GOVERNMENT WILL BE UNSUCCESSFUL IN ITS ATTEMPT TO RESTRUCTURE THE AMERICAN ECONOMY. WE REMIND THOSE WHO OPPOSE THIS MEASURE THAT THESE WORKERS ARE PEOPLE WHO HAVE ACCEPTED THE RESPONSIBILITY OF THEIR OWN WELFARE; OF RAISING A FAMILY, OF SENDING CHILDREN TO COLLEGE, OF PAYING BILLS WHEN THEY ARE DUE. THESE ARE PEOPLE WHO DESPERATELY WANT TO WORK BUT ARE BEING TOLD THAT SOCIETY NO LONGER VALUES THE WORK THAT THEY DO.

WE BELIEVE THAT H.R. 5479 HAS THE UNIQUE CAPABILITY OF ALLAYING THESE FEARS WHILE ALSO MAKING IT EASIER FOR DISLOCATED WORKERS TO SERIOUSLY RETRAIN FOR A FUTURE CAREER. THIS LEGISLATION WOULD EASE THE ECONOMIC TRANSITION BY EXTENDING UNEMPLOYMENT BENEFITS AND HEALTH BENEFITS TO CERTIFIED AND QUALIFIED DISLOCATED WORKERS AFTER THE FIRST 26 WEEKS OF ELIGIBILITY HAVE ENDED. YET, THE PROVISIONS OF H.R. 5479 ARE SPECIFICALLY TARGETED TO THE GROUPS BEING DISLOCATED AS A RESULT OF GOVERNMENT INITIATIVES. STRINGENT QUALIFYING CRITERIA HAVE BEEN DEVELOPED TO PREVENT THE ABUSE OF THE PROGRAM BY NON-QUALIFIED WORKERS. IN ADDITION, H.R. 5479 IS FUNDED THROUGH AN EXPANSION OF THE FEDERAL UNEMPLOYMENT TAXABLE WAGE BASE AND NOT AT THE EXPENSE OF OTHER, EQUALLY IMPORTANT FEDERAL PROGRAMS. FINALLY, THIS ASSISTANCE WILL NOT ADD TO THE GOVERNMENT BUREAUCRACY BECAUSE IT IS LIMITED TO A FIVE YEAR TIME PERIOD.

WITHOUT ADEQUATE ADJUSTMENT ASSISTANCE, MANY EMPLOYEES MAY FIND THEIR EFFORTS TO SERIOUSLY PREPARE FOR A NEW CAREER HAMPERED BY MONEY WORRIES OR THE NEED TO ACCEPT ANY TYPE OF WORK IN ORDER TO MAKE ENDS MEET. WE BELIEVE THAT AN EMPLOYEE SHOULD HAVE THE RIGHT TO A COMPLETE COURSE OF TRAINING WITHOUT THE FEAR THAT HIS TEMPORARY ASSISTANCE WILL RUN OUT BEFORE HE IS ADEQUATELY TRAINED FOR A NEW CAREER. THE EXTENDED UNEMPLOYMENT BENEFITS PROVISION OF H.R. 5479 WOULD PROVIDE AN ADEQUATE SAFETY NET TO ENABLE AN EMPLOYEE TO RETRAIN FOR A FUTURE CAREER.

THE EXTENSION OF MEDICARE ELIGIBILITY TO DISLOCATED WORKERS IS ALSO AN INTEGRAL PART OF ANY ADJUSTMENT

ASSISTANCE PROGRAM. MANY ORDINARY HEALTH CONDITIONS ARE VERY EXPENSIVE TO TREAT. A SERIOUS ILLNESS, ACCIDENT, OR HOSPITAL STAY CAN COST TWICE THE AMOUNT OF AN ORDINARY AILMENT. DISLOCATED WORKERS WHO ARE LIVING ON AN UNEMPLOYMENT STIPEND WHICH IS ONE-THIRD OR LESS OF THEIR WEEKLY INCOME ARE UNABLE TO AFFORD THESE COSTS. WITHOUT EXTENDED ACCESS TO MEDICARE, THEY WILL HAVE NO OTHER ALTERNATIVE BUT TO FOREGO MEDICAL CARE.

MANY, IF NOT MOST, OF THE DISLOCATED WOKERS COVERED BY H.R. 5479 ARE PEOPLE WHO HAVE DEDICATED THEIR LIVES AND THEIR CAREERS TO THE PUBLIC SERVICE BECAUSE OF THE SENSE OF FULFILLMENT THEY RECEIVED IN SERVING THEIR COUNTRY. THESE HARD-WORKING AMERICANS ARE LOSING THEIR JOBS DUE TO CIRCUMSTANCES BEYOND THEIR OWN MAKING. WE BELIEVE IT IS IN THE BEST INTEREST OF THE NATIONAL ECONOMY TO PROVIDE THEM WITH A PROGRAM FOR A NEW LIFE AND NEW CAREER IN ANOTHER EMPLOYMENT SECTOR. WE BELIEVE THAT H.R. 5479 IS THE TOOL TO ACHIEVE THIS GOAL. AGAIN, WE APPRECIATE THE OPPORTUNITY TO SUBMIT TESTIMONY ON THIS VERY IMPORTANT SUBJECT AND THANK THE CHAIRMEN FOR THEIR SINCERE CONCERN FOR HARDWORKING AMERICANS EVERYWHERE.

JAMES M. PEIRCE
PRESIDENT
NATIONAL FEDERATION OF FEDERAL EMPLOYEES
1016 16TH STREET, NW
WASHINGTON, D.C. 20036

August 10, 1990

The Honorable Thomas J. Downey
Chairman
Subcommittee on Human Resources
Committee on Ways and Means
United States House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

The U.S. Chamber of Commerce regrets that it was unable to testify at the August 1 Subcommittee hearing on the Downey-Stark Amendment to H.R. 3896, concerning adjustment assistance for dislocated workers. The short notice given for the hearing made it impossible to prepare testimony and a witness on a proposal as far-reaching as this. However, the Chamber is keenly interested in the unemployment insurance program and its continued effectiveness, and would like to comment on your amendment.

A proposal to extend yet again the supposedly temporary 0.2% Federal Unemployment Tax Act surtax comes as no surprise. In your opening statement at the hearing, you said, "Since changes in federal policy will lead directly to [workers'] displacement, we owe it to them to provide the assistance they need." The implication is that the government will pick up the costs, as is the case with the general-revenues financing of the Trade Adjustment Assistance program upon which your proposal is said to be modeled. In this case, however, the employer community is expected to pay the full cost.

Senator Adams congratulated you for addressing a pressing problem within an existing program rather than by creating a new program. The Chamber does not dispute that the plight of workers displaced as a result of federal policy changes is a societal problem, but it believes that the unemployment insurance program is the wrong program by which to address it. The unemployment insurance system was designed and operates to serve the needs of the temporarily unemployed, not the permanently displaced.

The Downey-Stark amendment seeks to turn the unemployment insurance system into a welfare program. In this light, employer financing is completely inappropriate.

There is another existing program designed to serve the displaced worker. This is the Economic Dislocation and Worker Adjustment Assistance program under Title III of the Job Training Partnership Act. The Chamber concurs in the Department of Labor's assertion that this program is the best means of responding to the retraining and related needs of displaced workers, regardless of the cause of their dislocation. Under the Downey-Stark amendment, cause of dislocation is used to create two classes of unemployed workers. Those whose jobs are lost for the reasons cited in the amendment would be entitled to twice the benefits available to those who lost jobs for another reason. This glaring inequity is bound to lead to intense ill-will among the ineligible unemployed.

You have made the observation that it is better to help some of the unemployed than none at all. However, the greatest boon to the unemployed is a vigorous economy in which jobs are plentiful-- a state not fostered by extending the tax burden associated with jobs.

The administrative burden imposed by this proposal is also a matter of concern. State employment security agencies will be faced with another program to administer, involving new rules and tasks (e.g., certification of groups of workers) and their attendant expense. No mention is made, however, of additional administrative funding. Where a $100 million administrative funding shortfall already exists, this is clearly unrealistic. Similarly, local Social Security offices apparently are expected to absorb the costs of enrolling unemployed workers in the Medicare program.

Providing Medicare benefits to displaced workers places additional pressure on an already strained system. This is unwarranted where the worker already is entitled to 18 months of continued medical insurance as provided under the Consolidated Omnibus Budget Reconciliation Act of 1985. It is another instance of trying to make an established program perform a function for which it was not designed.

The Chamber lauds your concern for American workers facing the life-disrupting prospect of prolonged unemployment, but fears that this concern has led you to propose an ill-advised and cumbrous solution which the nation's employers (many of whom also will suffer as a result of federal policy changes) must oppose.

The Chamber thanks you for your consideration of its views, and asks that this statement be included in the hearing record on the Downey-Stark amendment.

Sincerely,

Donald J. Kroes

Donald J. Kroes

STATEMENT OF ISIAH TURNER, COMMISSIONER
WASHINGTON STATE EMPLOYMENT SECURITY DEPARTMENT

Chairman Downey, Chairman Stark, and members of the Subcommittees on Health and Human Resources:

Your acceptance of this written testimony is appreciated. I regret that I was unable to be present for your hearings.

The Downey-Stark proposal focuses economic and health care support on workers unemployed by military base closures, defense cuts, clean air legislation and endangered species legislation. Certainly these governmental decisions have been made for the public good, and we all benefit from these choices. However, there are definitely workers who are suffering the fallout of these choices, workers who see their way of life disappearing. It is the essence of responsible government to compensate them for their losses.

The concept of a new economic assistance program has my wholehearted support. This proposal includes benefits that provide the basics of life and health: extended unemployment insurance (UI) benefits that will put food on people's tables, and access to health coverage that is so often unavailable to the unemployed. It also provides tools for self-sufficiency: retraining, job search assistance, and help for those who relocate. It even has help for employers who want to offer jobs to these workers, compensating them for training costs through the Targeted Jobs Tax Credit (TJTC).

My comments, then, are directed toward making a workable proposal, one that can be carried out in a timely and effective way. This means that responsibility should be vested in those closest to the workers; that administrative funding as well as program funding must be made available; that definitions be clear. It is important to Washington State that we be able to translate your efforts at responsible government into responsible service delivery.

Certification of Groups of Workers

The proposal envisions a certification of groups as for Trade Adjustment Assistance (TAA). Actual certification of eligibility would be done by the US Department of Labor (DOL).

•States should be given the authority to certify as well as administer the program under cooperative agreement with DOL. If certification must be done by DOL, would the certification process be flexible enough to deal with small employers? Non-union employees? Mobile workforce? A shake mill with three employees? Should there be some mechanism for grouping like employers together?

•It is unclear what is meant by the phrase "decreased absolutely" when applied to the decline in business necessary for certification. Whatever is used must be defined in a workable fashion. It is also unclear whether federal workers displaced for the specified causes would qualify for assistance.

•The apparent focus is on primary unemployment. What about secondary or tertiary effects? How about subcontractors and their subcontractors?

Worker Qualifying Requirements

This section sets out four basic requirements for eligibility:

1. Worker separated within certification period.
2. Employed 26 weeks @ $30 within last 52 weeks.
3. Entitled to UI and has exhausted available benefits.
4. Enrolled in training or formally excused.

•Requiring separation within the certification period will exclude the first round of job losers from assistance, unless certifications are routinely back-dated to deal with first impacts.

•The wording of the second requirement is somewhat restrictive, and would be an administrative burden on Washington. Perhaps a better measure of attachment to the industry would specify a substantial attachment to the industry (e.g., twenty-four months in the last five years). There will also be occasions in which service should be provided to workers who do not qualify for UI.

•The last part of this section says that workers who meet 2. and 3. are "certified and qualified dislocated worker(s)". Does this in fact mean that they are eligible for services under the Job Training Partnership Act (JTPA)? Or are they only eligible for training and support under this proposal?

•The proposal does not, and should, address the issue of co-enrolling in other federally assisted programs. Again, to the extent that states are able to coordinate the process, there is a potential for most effective use of all available funds.

Benefits

The proposal includes cash benefits in the form of extended UI; money for training, job search and relocation; medical coverage; and TJTC eligibility.

•The cash benefits for qualified workers will be capped at 52 weeks. The calculation of the amount paid would be under existing state law.

•Workers would be eligible for up to $800 in job search allowances. DOL would have to certify that the worker cannot reasonably find suitable work within commuting distance. Again, it would be more efficient if the certification were made by the state agency, rather than DOL. Provisions should exist for delays because workers will often not look for work until training is completed.

•Workers would be eligible for up to $800 in relocation allowances. The same comments about state certification and delay apply.

•Certified and qualified dislocated workers and workers eligible for TAA would be allowed to self-pay health insurance under existing federal law. After 26 weeks of unemployment, those workers would be permitted, as an option, to self-pay Medicare premiums. They would have the same status as persons over 65. If they choose Medicare, the premiums would be deducted from their UI. All in all, this looks like a positive step, but a few comments are necessary:

> •This does not address the larger issue of health care availability and affordability. Deduction from UI makes this a sort of regressive tax on the unemployed. There should be a broader solution for all citizens.

•Under current law, long-term unemployed are often left without any health insurance options. Individual plans are often too expensive. Pre-existing conditions may make some folks uninsurable. This proposal offers an option currently not available. Although it is not a universal solution, it is more than the workers now have and it may be more palatable politically.

•An unintended effect of this may be cost shifting for health care providers. A small community hospital may see a significant shift from patients with private insurance to patients with Medicare. That would have a negative impact on hospital income and might result in financial trouble for the hospital or a shift of costs to other patient groups.

•Qualified workers would be added to the list of eligible workers for whom employers could claim TJTC. This is a good idea. TJTC has been an effective tool in Washington. Employers are familiar with it and use it. There may be some confusion that those eligible for TJTC are limited to entry-level jobs. There is no wage limit in TJTC; what we are looking at here is only the employer tax credit. This may all be moot if TJTC is not extended beyond September 1990.

Financing

The program is financed by a five-year continuation of the 0.2% FUTA surtax that is due to expire this year.

•A segment of the business community will oppose the continuation of the surtax, regardless of the reason. The surtax was originally imposed in 1977; and it was to be discontinued when the UI Program repaid loans from the general fund. Repayment was completed in 1987, but the tax was extended through 1990 to rebuild the Federal Extended Benefit Account and the Federal Unemployment Account. To extend this tax again for yet another purpose would be offensive to some.

General

This proposal represents a good start at helping workers dislocated as a result of government policy decisions for the public good. Responsible government would provide assistance to those adversely affected. However, the process will be more effective if state and federal government work hand in hand. There are a few ways the proposal could make this process easier:

•The proposal states that groups of workers would petition DOL for certification in order to receive these benefits. We recommend that the state be given certification authority, as well as the authority to administer the program under cooperative agreements with DOL. If these responsibilities are in state hands, a timely, workable, and responsive administrative structure would be established and coordination of assistance programs can take place.

•This proposal provides many responsibilities for states without providing for administrative funding to carry out these duties.

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